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15 June 1982

# West Europe Report

No. 1980

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THEATER FORCES

FEDERAL REPUBLIC OF GERMANY

BAHR ON UN DISARMAMENT COMMISSION RECOMMENDATIONS

Hamburg DER SPIEGEL in German 31 May 82 pp34-36

Article by Egon Bahr: "Experimenting with a Calculated Risk"

Text If one permits the difficulties of the present to overwhelm one, one will not be strong enough to effect any changes. If one merely clings to a vision of a better world, one can easily lose touch with reality as well as the capacity to change that reality. The commission was aware of the fact that it could not take the easy way out by developing a master plan for a better world based on good will and strong beliefs—which, important as they are, would not support the entire edifice. The goal was to work out possibilities that could be realized in a reasonable period of time. To do this, we had to base our efforts on actual interests and realities and aim in the direction of added security.

If we had tried to determine to whom more of the blame for existing problems could be assigned, we could not have agreed on anything. Of course one must not forget how and why things have turned out as they have; but it was more important to reach agreement on an analysis of the present state of affairs.

The fact that we managed to do that, I would call a real achievement. Even though no member of the independent commission was in a position to speak for his government, the report we came up with represents something of a rarity in that it is a joint, agreed-on text on an analysis of the world situation, of the most important tasks facing us and of possible solutions for them. In the future, one will be able to point out that the document was agreed to by an American and a Russian—which was more important than the fact that the others agreed to it, too.

The world is confronted with a danger and a crisis. The danger is that the capability of science and technology to develop new weapons systems is growing faster than that of the politicians to control them.

The economic crisis is based, among other things, on the fact that a disproportionate part of the human intellect and of production is being devoted to armaments destined never to be used and which cannot be guaranteed by anyone to achieve their purpose of bringing about security through deterrence.

The commission took note of a lowering of the nuclear threshold. It is in the general interest to gain time in case of conflict in order to reach political decisions and to raise the nuclear threshold. The situation must not arise that due to the technical, geographical stationing of nuclear weapons close to the frontier the button is pushed because there are only two alternatives—that of being overrun and that of going nuclear—and the door is opened to a nuclear conflict with all its immeasurable, illimitable, inconceivable consequences.

The proposal for a 300-kilometer nuclear-free zone is well-suited to drawing dangerous potentials apart. The objections raised to it by Georgi Arbatov and submitted in writing are not to be taken lightly. Nonetheless, the proposal which was unanimously adopted carries special political weight.

If it were followed, it would not result in any major military disadvantage for either side as compared to existing conditions. Politically, it would represent an attempt to put a bit of common security to the test in a limited area and a limited sector. If this worked out, it could lead to widening both the area and the sector. A zone in Europe, free of tactical or battlefield nuclear weapons, would be an experiment involving very little, calculable—which is to say tolerable—risk which would point political life in a direction where the two sides work for joint security instead of opposing each other.

This limited proposal was included in the commission's recommendations because it appears realizable within a reasonable period of time given the political realities in East and West. This did not apply to my own proposal which the commission did discuss at some length but which was not supported by all the members. The idea not to station nuclear weapons in countries that do not possess them is a reflection of the continuing inequality between states that have nuclear weapons and all others.

De Gaulle's statement still applies that the decision concerning the use of these weapons is synonymous to a decision concerning the continued existence of one's own country and that such a decision cannot be shared with others. But the fact is that nuclear weapons states would, by deciding on the use of these weapons, also decide on the existence of other countries which, for their part, could not do likewise.

It is not surprising that such considerations lead to serious reservations particularly on the part of the nuclear states—but not only on their part. The proposal could retain its interest in a debate which examines the elements of common security more closely. The commission stands squarely behind the idea of common security. This realization is based on the perception that there can no longer be any winners in the nuclear age. Almost all arms control negotiations so far have been marked by attempts by both sides to gain an advantage, by leaving gaps for developing their strengths further or for making up for their weaknesses. But since there are no more advantages to be gained that might make the risk of war tolerable, the doctrine of common security evolves into a natural advantage for both sides.

This doctrine requires rethinking in the sense of accepting one's adversary as a partner and as such is well-suited to replacing the doctrine of deterrence. Common security entails a common interest not to institute new weapons systems; not to resort to the military use of the explosive development of scientific knowledge any longer; to give up the hope in a qualitative, technical breakthrough on both sides which would be of limited duration anyway and would constitute a dangerous throwback to the concept of perhaps being able to win out after all.

The first stage of common security would make a qualitative and quantitative halt in the arms race possible. The second stage would open up the possibility of real disarmament because common security can be had more cheaply than deterrence.

In other words, common security could free the financial and material resources necessary to tackle the great tasks of mankind: hunger, underdevelopment and the ecological balance of our common biosphere, the earth.

9478  
CSO: 3103/493

THEATER FORCES

FEDERAL REPUBLIC OF GERMANY

CDU ISSUES DOCUMENT ON SECURITY POLICY, INF

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 11 May 82 p 6

[Text] The CDU offers greater assurance for a well-balanced disarmament program than could the SPD. This was the statement of CDU national chairman Kohl to the CDU national committee, the so-called "mini party congress," which met Monday in Berlin. He justified this on the basis of his party's solid support of the NATO double decision in both its parts, including that which envisions the deployment of modern medium-range missiles, in the event that no agreement is reached with Moscow by 1983 which would make rearmament superfluous. The goal which NATO is trying to achieve with the double decision is to restore a military balance of strength at a lower level through disarmament. Thus, he said, those people who are trying to eliminate the double decision are hampering disarmament efforts. There have long been powerful forces at work in the SPD which would give Soviet leaders the impression that they do not need to abandon their medium-range missiles, because the rearmament decision would collapse in the face of SPD opposition "and resistance from the streets."

Since the Soviet Union is aware of the CDU's solidarity, it is clear to them that they would have to disarm if the NATO rearmament decision is not to become a reality. "Because we want disarmament, we must prevent the Soviet leaders from counting on the SPD and the peace movement as guarantees for their maintaining their military superiority in Europe," Kohl added. He expressed the opinion that a moral and political offensive on the part of the free world for peace and freedom, human rights and security through disarmament was long overdue. While NATO, in its military dimension, is a defensive alliance, in a moral and political one it is aggressive. The free peoples of the world would have to join together in a "great Peace movement," whose ideals of freedom, peace and human dignity would emanate throughout the entire world. Kohl expressly rejected any thought of a German path of neutrality between the two major power systems. He also scored the idea that Bonn could serve as a mediator between the world powers.

The same basic platform is expressed by the "Berlin Declaration" as was unanimously accepted by the Federal Assembly and in which the Atlantic Alliance is characterized as a "community of shared values." Its principles have been under attack by the Soviet Union, wherever Moscow has had the power

to do so. To defend itself against such attack is not only the right of the West but also its duty. NATO is "the only effective assurance" for freedom in the Federal Republic. The declaration speaks of an "ominous change of consciousness" among many citizens who deny any difference between democracy and dictatorship and who have made light of the communists violations of human rights. For this reason NATO must put forward its ideals in a more aggressive fashion. The Berlin Declaration reiterated its support for the double decision and rejected such notions of the "peace movement" as "peace without weapons" as dangerous illusions. There was, however, open discussion of "differences of opinion and interests" which have afflicted NATO. To eliminate such problems an expanded political structure and a system of consultation and coordination between the United States and the European allies is required. A permanent body should be created for consultation on economic cooperation with the East.

9878

CSO: 9103/468

## BRIEFS

FINNS STUDYING SVALBARD COAL—Next summer four Finnish firms will attempt to determine the potential for working the coal reserves located on Svalbard. Imatran Voima [Imatra Power Company], Neste, Outokumpu and Rautaruukki have agreed to cooperate, which includes exploration for coal, shipping and mining technology. Within the framework of this cooperation, they will chart the potential for working coal deposits, primarily in those areas from which shipment of the coal thus produced to Finland is economically justifiable. A long-range program is at issue. The companies will reach separate agreement in specific cases as to how and to what extent each of the firms will participate in the project. Even now, a Finnish cooperation agency is participating in the search for coal reserves in Mozambique with cooperative development funds jointly with the Swedes. In accordance with an international agreement reached in 1925, Finland has the right to engage in geological research and mining on Svalbard. In earlier excavations it has already been ascertained that there are coal layers on Svalbard. [Text] [Helsinki HELSINGIN SANOMAT in Finnish 4 May 82 p 34] 11466

CSO: 3107/113

## INDUSTRY LOSES \$6 TO \$7 PER BARREL ON SAUDI CRUDE OIL

Paris LE MATIN in French 27-28 Mar 82 p 4

[Article by Jean Bothorel and Henry Lauret]

[Text] The abundance of black gold and the lowering of its price have made a millstone of the Franco-Saudi agreements signed 8 years ago to ensure supplies.

Black gold is abundant again. Prices are sliding. OPEC is bending but not breaking. And France is taking advantage of the situation to modify its oil strategy. Its main concern is to reduce its dependence on Saudi Arabia, by far our main supplier, meeting nearly half of our requirements a year ago. But it is not that simple to detach oneself from a country that is both the largest producer in the Near East and the moneylender for the Arab world, especially since the only way to reduce Saudi purchases is to call into question the famous government-to-government agreements implemented in 1973 by Michel Jobert. The rest of our imports from Saudi Arabia are in fact channeled to us by American companies. In these circumstances, can you imagine progressively blocking off the Saudi riches that, paradoxically, cost us more today than the black gold of others?

Why the Government Wants To Limit Its Imports of Saudi Crude

It must bear in mind both commercial requirements and diplomatic necessities.

Two things are sure. The government plans to break with the philosophy underlying Giscard's oil policy. And in this spirit, it has clearly stated its intention to limit Saudi Arabia's weight on the French balance sheet, in the name of diversification of supplies. Following up a meeting of experts on 12 March, the interministerial council, which met 16 March at the Elysee, took the side, it seems, of those who, like Albin Chalandon, feel that the "politicization" of the oil trade is more harmful than beneficial to French interests, and that it has finally led to a stage of critical dependence.

In the midst of the crisis at the beginning of 1980, Saudi Arabia alone supplied nearly half of our needs (46.5 million tons). Iraq provided about one-fourth! At the same time, Paris had important civilian and

military contracts with these two countries. Today oil is in abundant supply again, and market prices are on the decline. The result is that what was good in a time of crisis is no longer so in a period of depression. After having made fortunes, the oil companies are losing a great deal of money. And this is true to such an extent that the Mauroy government, hardly more inclined than Raymond Barre's to listen to the oil sirens, admits that the situation cannot go on forever. The situation is all the more ridiculous since it is our ties with Saudi Arabia that are costing us, whereas they were precisely what enabled us to receive supplies on relatively more advantageous terms during the second crisis in 1979-80. The Saudi barrel cost \$30 or \$32, while Algerian crude oil was billed to us at around \$38.

Now "we are at the height of the absurd," commented Albin Chalandon. And the president of ELF-Aquitaine explains why: "Our direct contracts with the Saudis stipulate that we must buy 6 million tons of oil a year. The contracts require that we refine this crude oil in French refineries. This means that, with today's decreased demand, we cannot refine the oil we produce ourselves. And the surplus is such that it is impossible for us to resell our oil." What makes it worse is that Saudi crude sells for \$34, the official price, whereas market prices put the value at no more than \$27 or \$28 a barrel. "It is therefore a clear loss of \$6 or \$7 a barrel for French industry in the present circumstances," said the president of ELF. (In other words, for the 12 million tons of crude oil that France is required to buy from the Saudis, this means an annual surcharge of 3.5 billion francs.)

It is only logical, therefore, that purchases from Saudi Arabia must be reduced, as Edmond Hervé, the energy minister, indeed implied recently. For Albin Chalandon, in fact, the time has come to make "choices between our production and our suppliers. In the short run, we personally do not even need any more Saudi oil."

Does this mean that ELF is going to denounce all or part of the contracts that bind it to Saudi Petromin for some 6 million tons a year? It is probably not appropriate all of a sudden to call into question the direct supply agreements which were negotiated by Michel Jobert in 1974, and which also involve the French Oil Company. However, this is what is implied by this new approach, which intends to make oil business unofficial, or at least to place it outside the traditional political arena--and more specifically outside the political arena of the Near East.

Too risky! cry those who fear a new outbreak of violence in the region. Caution, advise others who, like Michel Jobert, have had experience with sudden changes in the oil scene. The foreign trade minister, moreover, had good reason to be surprised that such a delicate problem was under discussion while he was out of the country. In any case, the political consequences of backing out of our agreements with Saudi Arabia are at least as important as all other considerations combined. The Wahhabite kingdom has shown enough distrust of the French regime to warrant wise diplomacy. Moreover, despite certain advice, the President of the Republic

would reject any move that might cause a break with Riyadh. Convinced that the Saudis are more sensitive to the "true directions of France's foreign policy" than to its oil strategy per se, Chalandon is evidently in favor of denouncing, or of not renewing, the Jobert contracts, even though he too agrees that we must be careful not to offend our Saudi partners. At Total, they are much more cautious, as usual. They plan to follow the government's instructions "to try to adjust future contracts to meet international conditions."

One thing is certain. The Saudi share of French supplies in January fell to 37.4 percent. Nigeria and Algeria followed with 12.1 and 9.3 percent, respectively. Can we go much farther, in view of Saudi Arabia's weight in oil and politics in the Arab world? At the very least, the question deserves thought.

9805  
CSO: 3100/548

## BRIEFS

EXPORTS TO SAUDI ARABIA--Saudi Arabia is France's No 1 customer in the Middle East. French exports to that country amounted to 10.15 billion francs in 1981, an increase of 64 percent over 1980. Saudi Arabia, for its part, is the major supplier of oil to France, with Saudi crude accounting for about 50 percent of our supplies in 1980. Oil is virtually France's only import. The size of our oil purchases explains France's heavy trade deficit vis-a-vis Saudi Arabia--55 billion francs in 1981. Imports other than oil account for only 13 million francs! Aside from military contracts, which are official secrets, a number of sectors in the French economy have substantial commitments in Saudi Arabia. These include companies in the construction and public works, agrofood, industrial equipment, household appliance, automobile, and engineering sectors.

<sup>\*</sup> Franco-Saudi Trade  
(in millions of francs)

|                | <u>1978</u> | <u>1979</u> | <u>1980</u> | <u>1981</u> |
|----------------|-------------|-------------|-------------|-------------|
| French exports | 3,940       | 4,669       | 6,168       | 10,190      |
| French imports | 18,414      | 24,344      | 36,821      | 65,000      |
| Balance        | -14,474     | -19,675     | -30,653     | -55,000     |

Source: French Customs

These figures do not include French arms contracts with Saudi Arabia.  
[Text] [Paris LE MATIN in French 27-28 Mar 82 p 4] 9805

CSO: 3100/548

## SALES, USE OF NATURAL GAS CONTINUE TO DROP

Rotterdam NRC HANDELSBLAD in Dutch 3 May 82 p 2

[Text] The sales and consumption of Dutch natural gas, both domestically and for export, continue to drop sharply. For the first quarter of this year, Gasunie reports a drop of 9.2 percent, or 2.7 billion cubic meters. Last year, gas sales dropped by 8 percent from 87.3 billion to 80.7 billion cubic meters, which even brought gas sales below the 1974 level.

As can be seen from Gasunie's annual report, there has been a spectacular drop of nearly 13 billion cubic meters. With the exception of a certain reduced gas use by electrical powerplants and more conservative energy consumption, this decline is primarily the result of the continuing economic recession. Domestic gas sales last year were 37.9 billion cubic meters, as opposed to 39.8 billion in 1980. Gas exports last year were 42.8 billion cubic meters, as opposed to 47.5 the year before.

Half of the decline in gas use in the Netherlands in the first 3 months of 1982 was due to electric powerplants, which are converting increasingly to other energy sources (coal and oil).

Sales to heavy industry declined by 9.1 percent; energy conservation and the poor economic situation played a role here. Sales for household use remained nearly constant in the first quarter, despite the fact that the first 3 months of this year were appreciably colder than the comparable period of 1981.

According to Gasunie, there are enough prospects on the continental shelf of the North Sea, along with the big gas reserves in Groningen, to guarantee the stability of the Netherlands' gas supply for the foreseeable future. As far as the Dutch shelf is concerned, according to Gasunie it is reasonable to assume that the proven reserves there can be increased by 100 billion cubic meters in the coming years.

## Norway

Gasunie feels that the Netherlands is "Western Europe's natural port of attack" for the flow of gas from the Norwegian part of the North Sea.

According to Gasunie, the spectacular Norwegian gas discoveries can make a considerable contribution to Western Europe's gas consumption which will continue to show a steady increase.

The recoverable gas reserves on the Norwegian continental shelf were estimated at the end of 1981 at 1.7 trillion cubic meters. According to Gasunie, the recent success in Norwegian exploration are of an order of magnitude which, in view of the extensive areas still unexplored, do not preclude sudden increases in the gas reserves by hundreds of billions of cubic meters.

Until around the year 2000, England and the Netherlands will derive considerable amounts of energy from their portions of the North Sea, but according to Gasunie, that will not cover the demand for natural gas.

In fact, in Western Europe, only Norway still offers general prospects for purchases. Therefore, Gasunie will try to conclude additional contracts with the Norwegians.

6940  
CSO: 3105/176

## BRIEFS

NO USSR NATURAL GAS--The Netherlands is practically certain to decide to import no Soviet natural gas for the time being. Because energy consumption in the Netherlands has remained low, the necessity to decide to import Siberian gas at this time is less urgent. The absence of compensating orders for Dutch industry in the laying of the pipeline from Siberia to Western Europe plays a secondary role. Officially, Economic Affairs and Gasunie have not yet reached a decision to pass up the Soviet gas for the time being. However, Executive Director Kardaun of Gasunie said yesterday evening that it would not surprise him if events followed that course. Initially, the Netherlands wanted to start taking 4 billion cubic meters of Soviet gas per year in 1985. When orders failed to come in for Dutch industry and gas consumption in our country fell off sharply, the import goal was reduced to 2 billion cubic meters per year. According to a spokesman for Gasunie, not going through with the purchase of Soviet gas does not mean that these imports have been given up definitively. Over a longer term there is a need for that gas, according to Gasunie. The Soviets wanted to deliver a total of roughly 40 billion cubic meters of natural gas [per year] to Western Europe starting in 1985. [Text] [Rotterdam NRC HANDELSBLAD in Dutch 3 May 82 p 1]

6940  
CSO: 3105/176

## SWISS BANKS INVOLVED IN ILLEGAL FLIGHT OF ITALIAN CAPITAL

Hamburg DER SPIEGEL in German 31 May 82 pp136-137

/Unattributed article: "Based on Trust"/

[Text] Ticino resident Carla Bianchi, 82, (name changed by editor) looked expectantly at the bank employee as he took a pair of scissors and cut the letterhead of the Swiss Credit Bank (SKA) in Chiasso in two.

He then handed her one half of the sheet and held on to the other. "That is how it is done, madam," he said. "Not with the bank's letterhead, of course. It works much better with a 1000 lire bill." The old lady had asked him how her niece in Milan would know the messenger for sure. She was told it would be very simple: if he can produce the other half of a particular bill, it must be the right man.

And so Carla Bianchi discovered that Swiss bank employees are in a position to help with transactions that are illegal in Italy where anyone is subject to arrest under currency exchange law No 159 who transfers more than 5 million lire (IM 9,000) to a foreign country. In this way, the Italian government wants to prevent tax evaders or even little people from turning their money into hard currency outside the country.

Helpful as ever, though with a certain modesty, Swiss banks stand ready to assist in such cases. One has to exercise care when engaged in these dealings. In addition to the 1,000 professional smugglers and countless amateurs who offer their messenger service as part of the Sunday excursion traffic between Lombardy and the southern Ticino, there are any number of common swindlers who take the money and are never seen again.

But anyone who wants to make sure that the money really gets to Switzerland is best served by a Swiss bank, which vouches for discretion.

There were times when this was not really necessary. There are those who still remember the days when Ernst Kuhrmeier, the head of SKA's Chiasso branch would come to Milan every Wednesday and rent a suite at the "Principe e Savoia" to collect the Italian flight capital. Kuhrmeier's deals involving millions became part of the scandalous annals of the gnomes of Zurich under the heading of the "SKA Scandal" of 1977.

To avoid further damage to the reputation of the Swiss banking industry, the bankers signed a gentleman's agreement at the urging of the national bank which proscribed any capital flight assistance and imposed heavy fines.

This agreement which goes by the name of "agreement on the obligation to exercise care in receiving monies and observing discretion in banking" which many a Swiss bank claims to adhere to with as much fervor as it constantly violates it will run out in June. Some kind of legislation or at least a tightening of the existing agreement are under consideration; but the banks want no part of either one.

Well-to-do Italians never had to do without expert Swiss banking assistance, if they wanted to get their money transferred to Switzerland. The whole thing became a kind of entertainment industry. Giuliano Mauri, Chiasso's police chief, for one sometimes likes to characterize the capital flight business as a tourist attraction.

When he is in a good mood he will tell you: "You simply must take a look at it. Just take up your position on the stairs by the back door of our post office between 5 and 6:30 pm!" To be sure: there, on Independence Square, boxes, bags and satchels containing the day's receipts of banks and exchange offices are brought in to be shipped to northern Switzerland at the close of business. Recently, two policemen have begun guarding the valuable freight.

Robberies have become an everyday occurrence in the southern Ticino now that the money is literally lying around in the streets. The magazine DIE WOCHE recently wrote that the tip of Ticino juts into Lombardy "like a nose of gold." In the frontier town of Chiasso, numbering just 9,000 inhabitants, no less than 11 percent of all of Switzerland's banking business is transacted. Thanks to capital flight and currency smuggling, there is one bank per 600 inhabitants in Chiasso—six times as many as in the financial center of Zurich. In addition, there are countless exchange offices and backrooms, which are called "cambi."

The volume of the capital flight business could be guessed at when seemingly well informed robbers took a page from the British railroad bandits in early February and pulled the emergency brake on an express train going north just after it left Lugano and held up the mail car. When the robbery was investigated, it came out for the first time just how much money and valuables is being shipped by mail every day from the frontier station. Estimates ranged up to 100 million Swiss francs.

Given such amounts, the banks can hardly expect anyone to believe that they are being faithful to the gentleman's agreement. The tenet the Zurich gnomes continue to go by is: "It cannot be the primary concern of a banking institution either on ethical grounds or grounds of international solidarity to inquire into the origin or ultimate disposition of monies paid in or otherwise received."

Thus spake on 9 December last Robert Holzach, the chairman of the board of the Swiss Banking Association (SBA) which turned over 93.74 billion Swiss francs and earned 382 million in 1981. At that very moment, Holzach's colleagues Guido Corecco, the director of Leu Bank in Zurich, Lionello Torti, director of the Gotthard Bank in Lugano and "chauffeur" Bruno Zappa were all being held in the infamous Regina Coeli jail in Rome.

Two days earlier, the three had been indicted and jailed for illegal capital export among other things. Early this year, Torti and Corecco were given jail terms and fines; Zappa was acquitted.

For the Swiss bankers, eager to maintain their good reputation, the sentencing of their colleagues by Roman judges apparently was not enough of an embarrassment to make them change their business practices. Fernando Garzoni, the chairman of Torti's board of directors, mounted a counterattack, accusing the Italians of having no one but themselves to blame for the flight capital situation. Charging them with "mismanagement," he criticized the "meaningless show trials" and termed the capital flight "legitimate, if not legal."

What is good and proper for big Garzoni seemed perfectly acceptable to the small-time bank employee at the SKA branch in Chiasso as he talked to his supposed customer, Carla Bianchi. At first, he was reluctant. "That cannot be done," he said. "It is illegal." But when the elegantly dressed lady, wearing a Persian lamb coat and a pearl necklace, insisted, the bank clerk relented and offered her "private assistance by a confidant of ours. The bank itself is not directly involved."

"The money will not be transported," he told Carla Bianchi. It would instead be paid into a collective account in Italy by the confidant who would identify himself by presenting his half of the banknote. The credit balance would then be transferred to a collective account in Switzerland. "But all this," he said, "will only work on the basis of mutual trust."

The old lady told her story to bank clerks in Lugano and Chiasso eight more times. The gentlemen behind the windows, Bianchi said, were "nice young people, eager and courteous." At first they said they would not hear of it but when she said that an efficient Swiss banker was bound to know of a way out, they stopped resisting.

Only twice were Carla Bianchi's efforts not crowned with success—at the Swiss Bank Society branch in Chiasso and at the Bank of Rome branch in Lugano.

All the remaining banks—including the Credit Association and smaller banks such as Intercambi SA and the Commercial Credit Bank in Lugano as well as Rohner Bank and Finter Bank in Chiasso—were prepared to help in arranging capital flight for Bianchi's supposed niece in Milan after a more or less appropriate period of delay.

At the SKA branch in Lugano, Mrs Bianchi merely asked a general question on effecting "certain transactions from Italy." She was immediately told to go the second floor where she would get the help she needed.

But no sooner had the clerk there heard her speak Swiss German than he pulled back "much to his regret." He must have misunderstood her, he said. The bank was under no circumstances able to help out with "transactions."

Nonetheless, he gave her the name of a "friend" who would do the job for her—a man at Intercambi SA on Cioccaro Square 12. Now that one made no difficulties at all. His secretary was allowed to remain in the room since the lady's request was "an everydaymatter for us."

Mrs Bianchi acted out the part of an overly careful person. "How is the money delivered in Italy," she asked. "Isn't it dangerous?" Her opposite number laughed. "There is nothing to it," he said. "As soon as our contact has the money, we accept the risk for it." The money could be handed over anywhere, he added. "In a hotel or a restaurant or directly to our contact. He works for an aluminum processing firm in Milan."

Her niece, Mrs Bianchi said, might be a little scared of that. "If you prefer," said the bank clerk, "we will call at her home and pick the money up. As soon as that has occurred, we will get a call here in Lugano and the money is at your immediate disposal either in Swiss francs or any other currency." The "risk factor" would cost her a 2 percent commission.

Such commissions, the local newspaper IL DOVERE disclosed recently, constitute the livelihood of the professional smugglers. The business is so well organized, the report said, that some of the smuggling rings even "insure" their couriers against their occupational hazards: those jailed or sentenced and their families are given financial aid.

A clerk at the Commercial Credit Bank of Lugano at 42 Nassa Street was equally satisfied with the standard 2 percent commission. That particular bank is closely tied to the Swiss branch of the Commercial Credit Bank of France in Geneva. This clerk, too, turned out to be an old hand. "You may have complete confidence, madam," he said. "We have been doing this for years. What is the amount you would like to bring into Switzerland?"

Carla Bianchi said it was about 100 million lire. Despite the relatively small sum—amounting to some DM 180,000—the clerk was eager. The money, he said, would be at her disposal in Lugano as soon as it was turned over in Italy. The risk would be borne by the courier.

The big currency deals do not pass through the exchange offices or small banks like the small-time transactions. When large sums of lire are exported, the Italian side has long been operating with a system of over and under-invoicing.

There are numerous variations of this method but none of them can be taken advantage of by the middle class who fear for their savings. They must rely on banks, even including large ones. That is how Carla Bianchi obtained some good advice at the Bank Society's Chiasso branch.

But the business involving small customers may be an endangered species. For months now, the Italians have been working on changes to law No 159 governing the exportation of currency.

But it is not only the chief prosecutor of Como, Mario Delfranco, who feels it is absurd for him to indict small-time currency smugglers day after day who get caught with little more than 5 million lire (DM 9,000) on them while billions are transferred through the preparation of false invoices.

To introduce a bit more justice, permission would henceforth be granted to export amounts of up to 100 million lire (DM 180,000). Anyone transferring up to 200 million lire would merely have to pay a fine.

But for the time being it is uncertain whether the changes in the law will go through. Minister President Giovanni Spadolini is opposed to them "on moral grounds."

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CSO: 3103/495

## LAMBSDORFF ON SIGNIFICANCE OF TRADE WITH CEMA

Duesseldorf WIRTSCHAFTSWOCHE in German 23 Apr 82 p 56

/Interview with Otto Graf Lambsdorff, minister for economics/

/Text/ Uncertainty about the future development of trade with the East is to be observed in the Federal Government also. In a conversation with WIRTSCHAFTSWOCHE, Federal Economics Minister Otto Graf Lambsdorff expressed his views on the significance and prospects of East-West trade transactions.

/Question/ The first boycott measures against the Soviet Union have been decided by the European Community. Will there be more, or was that the last word on sanctions?

/Answer/ I cannot speak of a last word. After all, I do not know what is going to happen in the field of politics. It is possible that the situation in Poland may deteriorate even more. Nobody hopes that, nobody wishes that, but we cannot exclude the possibility.

/Question/ Will the Federal Government at least give up its old established principle that economic relations with other countries should not be reduced to be an ancillary function of foreign policy?

/Answer/ As is usual in matters of principle, this one has never been quite so clear cut. For many years we considered trade policy a part of our Eastern policy. We always affirmed that trade relations contribute to the advance of political relations. It is true, though, that we have always tried as far as possible to keep free of general considerations foreign trade and decisions relating to trade policy.

/Question/ Still, in former times there was nothing like the currently suggested subordination of trade policy to foreign policy...

/Answer/, Our foreign policy toward the Soviet Union is meeting with difficulties now, and these difficulties are communicated to our foreign trade policy.

/Question/ Does German trade with the East have any chance of survival if the United States maintains its hard line, or do you advise traders with the East to look around for new fields of operation?

/Answer/ I would always advise everyone to look around for new fields of operation. But that has nothing to do with our reflections about restricting trade relations or introducing obstacles. We must calmly discuss with our American allies what measures are appropriate and sensible, not liable to be undermined or to damage and injure the West more than the Soviet Union. Once we have completed this stocktaking and made sure that the really important trade partners are with us--and in my opinion that includes the Japanese--, we will have a proper overview and be able to draw the appropriate conclusions.

/Question/ At that time will Western exports to the Soviet Union and not only purchases from that country be included in the boycott?

/Answer/ Up to now no such restrictions were mentioned, with the obvious exception of goods falling within the COCOM regulation, NATO's embargo list. It is general knowledge that the COCOM regulations are currently being reviewed with the aim of tightening them.

/Question/ This review began at the time of the Soviet incursion into Afghanistan more than 2 years ago--so far without result.

/Answer/ Quite so, and the Federal Government has repeatedly criticized and objected to this state of affairs. It is certainly not the Federal Government's fault that relatively little has happened in this field since Afghanistan.

/Question/ And your forecast?

/Answer/ I assume that there will be a result later this year.

/Question/ Will, though, the principle be maintained that contracts already concluded must in every case be honored, in other words will there be no politically motivated breaches of contract?

/Answer/ We do not want any breaches of contract. This means that existing contracts will not be adversely affected. Nor has anybody either requested or suggested that.

/Question/ Would it not be necessary to restrict loans and low interest rate loans to the East before adopting such serious decisions as that of a trade boycott?

/Answer/ Yes indeed. The Federal Republic has always objected to interest subsidies. The Federal Government is also ready to talk about a general and standardized cut in the lives of such loans, and not only to talk about that but actually carry it out.

/Question/ Is the credit volume to be restricted, too?

/Answer/ At the present time I cannot hazard a prediction in this matter.

/Question/ In former times you used to maintain that sanctions should never be introduced, if for no other reason than their ineffectiveness. Have you changed your mind?

/Answer/ I have not. We still doubt that boycott and embargo will do any good. The only exception may be the grant of credits. Here it is possible to decide something with good prospects for united handling and enforcement.

/Question/ Will export credit guarantees be spared? After all, Washington considers the export credit guarantees an encouragement of trade with the East.

/Answer/ That is a very old issue. We have had to deal with it ever since Afghanistan. We deny that export credit guarantees amount to the encouragement of exports. Insurance premiums are payable for these guarantees. Last year export credit guarantees for trade with the East yielded a surplus. The Federal Government therefore does not subsidize, it earns.

/Question/ Nothing is to be changed with regard to export credit guarantees?

/Answer/ Nothing.

/Question/ What is the importance of trade with the East in view of its declining share in the FRG's foreign trade?

/Answer/ From the standpoint of economics, trade with the East is not crucial for the German economy. It did help us in times of recession. It is of course very important for some firms, indeed vital for a few. As for its total significance, we could live without trade with the East.

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CSO: 3103/479

## ECONOMIC INSTITUTES VIEW CURRENT STATUS, PROSPECTS

West Berlin DIW WOCHENBERICHT in German 6 May 82 pp 236-245

/Text/ The economic situation in the Federal Republic did not much brighten in the first months of this year. Orders actually tended to decline further, and the expectations of firms in regard to future business are still depressed. The gross national product did not grow, the decline in employment speeded up, and unemployment has been rising more even than was feared last fall.

Total economic output has now been stagnating for almost 2 years, and in that time unemployment rose by 800,000 to achieve 1.7 million.

As explained earlier, the reasons for this persistent weakness are the serious rise in energy prices and the unfavorable development of the world economy as well as economic policy here and the behavior of the parties negotiating collective wage agreements.<sup>2</sup> Admittedly, economic policy influenced the behavior of the parties negotiating collective agreements, and vice versa.

It is true to say that the general framework of the economy has to some extent improved:

- The rise in the price of crude oil and oil products was replaced by reductions,
- The deficit in the Federal Republic's current account disappeared,
- The Bundesbank increased and gradually made cheaper its supply of money.

So far, though, the after effects of shocks and misguided actions still dominate developments. The depressed expectations of the corporations are an indication that economic policy has not yet succeeded in arousing confidence in a recovery of economic development.

#### 'Operation 1981' Without Clear Direction

The government had far too long delayed the consolidation of public finances. Last fall it attempted to make up for lost time by "operation 1982." This was also intended permanently to improve conditions for growth and employment. Unfortunately the effect of these measures was nullified by others: A considerable part of the consolidation of federal finances is proceeding at the expense of social insurance and other public facilities, and these institutions passed on the increased burden by further raising the rates of contributions, fares or--in the case of the local authorities--the rates of trade tax. Moreover, some of the measures are temporary,

and it is not at all certain whether they are to be replaced by permanent regulations at a later date. In other spheres also many problems await settlement and continue to obstruct advances, especially in the matter of energy.

#### Releasing the Monetary Brakes

When the deficit in the current account declined and interest rates in the United States turned softer, the Bundesbank saw that the time had come to relax the monetary restraints it had imposed in February 1981, fearful of an unduly sharp downturn in the D-mark's exchange rate. The bank has now begun gradually to make available more money to credit institutions, thereby lowering interest rates on the money market, and it consolidated this decline by the repeated lowering of the 12 percent special advance rate (early October last) to 9.5 percent in mid-March. Moreover it intimated that it would guide the expansion of the central bank money supply to the upper rather than the lower section of the target range that is to be the same as in 1981 at 4.7 percent. The Bundesbank continued this line even when interest rates in the United States began to climb again at the turn of the year, and the D-mark's exchange rate vis-a-vis the dollar came under pressure once more.

Interest rates on the money market also softened. Business was less inclined to borrow while more ready to invest money for longer terms, because the rate of inflation definitely slackened, and this strengthened expectations of continued reductions in the interest rate. The yield of fixed interest securities dropped by 2.5 percent to 9 percent from August 1981 to April 1982. As, at the same time, another reduction in the rate of inflation was forecast, real interest did not decline so sharply as nominal interest.

Monetary expansion revived alongside the lower interest rates. The money supply ( $M_1$ ), defined as cash and sight deposits, was on the decline until October last and particularly sensitive to interest rates; it is now on the rise again, and so is the money supply ( $M_3$ ) that also includes short-term time certificates and savings as well as the central bank money supply chosen by the Bundesbank as the target ratio for its policy. In recent months that expanded roughly appropriate to the potential.

#### Current Account Almost Balanced

In the first quarter of 1981 the current account ran a deficit of some DM10 billion; in the winter half it was almost balanced; toward the end of the year and due to some special factors it actually showed a surplus.

Decisive for the rapid reduction in the deficit was the improvement in the competitiveness of German firms on domestic as well as foreign markets. This arose from the D-mark devaluation vis-a-vis the dollar and the FRG's lower cost and price rises by comparison with other countries. Moreover the economic weakness and the efforts at energy conservation reduced the demand for imports.

#### D-Mark Revaluated Again

From August 1981 to April 1982 the D-mark was revaluated by an average 6.5 percent by comparison with the 23 most important currencies, by 7.5 percent compared with

the partner currencies in the European Monetary System. The conditions for this revaluation were created by changes in the guide rates--first in October, later in February. Though, by comparison with the U.S.dollar, the D-mark gained more than 20 percent between August and November last, it has since lost two thirds of that gain.

#### Export Impetus Slackened

Exports continue to benefit from the competitive edge of German firms. However, in recent months export increases tended to lose some steam. This is due to only a limited extent to the narrowing of the competitive edge as a result of the change in the guide rates of the European Monetary system; by far the more important factor is the slackening of demand from the United States, the OPEC countries and even the state trading countries. Demand from the United States dropped as a result of the renewed recession, that from the OPEC countries as a result of the decline in earnings from oil exports, that from the state trading countries as the result of deliberate cutbacks due to the lack of foreign exchange and their large debts.

Nevertheless, until lately exports rose faster than world trade, especially because German firms used their competitive edge less to raise prices than to gain market shares; at any rate export prices did not rise more than prices in the--declining--domestic trade.

#### Investments Dropping Further

The drop in equipment investments continued. This was due largely to the after effects of earlier difficulties. Furthermore uncertainty persisted about the attitude of financial policy in the dispute between the demand for limiting new government borrowing and the demand for aiding employment by new government programs. There is also some doubt about the issue of the wage negotiations.

The decline actually gathered speed with regard to construction investments. Decisive here was government behavior; within the scope of financial consolidation, it cut mainly investments.

Price rises slackened due to pressure of the decline in demand and output. At the end construction investments cost only 4 percent more on the average than a year ago. In early 1981 the rate of inflation had still amounted to almost 7 percent. Particularly well defined was the weakening in the sector of public construction; eventually it did stabilize, though, in business construction.

#### Private Consumption Weakening

Private consumers have not much changed their habits. Nevertheless private consumption declined again. The rise in disposable income was offset by the decline in employment and increased contributions payable to the social insurance system, and these negative factors were not balanced by any clear lowering of the cost of living.

### **Reduction in Imports Halted**

Imports rose substantially at the beginning of this year--for the first time in some years. However, this must be appreciated as a balancing countermovement to the severe drop toward the end of 1981. At least that is true for purchases of finished goods. Demand for these is still affected by the weakness of investments and private consumption. Moreover, domestic suppliers are highly competitive with respect to these products. On the other hand the rise in imports of primary products seems not to be temporary only but to represent the beginning of a continuing upward movement. At any rate, stocks have achieved a very low level.

### **Speeded-up Decline in Employment**

All in all demand was not sufficient to raise total national output. Nevertheless production capacities continued to grow, albeit slowly, and consequently capacity utilization declined once more. Employers obviously did not expect the economy to recover quickly and therefore laid off more people. Affected too this time were more skilled workers; in part this is a sign that employers are less and less able to hang on to their labor force, but in part it is probably also due to the fact that bankruptcies and factory closures are on the increase. From last fall to spring and seasonally adjusted employment declined by 200,000 and was therefore lower by 350,000 or 1.5 percent than a year ago.

As more people continue to enter than leave the labor market--last year the rise was almost 200,000--, unemployment figures increased more than employment figures dropped. Seasonally adjusted, 1.7 million persons were registered unemployed at the end of March. A year ago the unemployment figure was lower by 550,000.

### **Abatement of Inflation**

Since last fall inflation has significantly abated, mainly because prices of primary products dropped on the world markets, and the price rises of foreign products due to the D-mark's loss in exchange value were superseded by price reductions. On the other hand no real decline in inflation was recorded for prices determined by domestic influences alone, always with the exception of developments on the construction market. The European Steel Commission decreed radical increases in steel prices.

From last fall to this spring the cost of living index rose by only a 3 percent annual rate, and the gap by comparison with the previous year declined from 6.5 percent to about 5 percent. However, this probably mainly reflects lower energy prices; the drop in the prices of heating oil and motor fuels was far more significant than the--catching up--increases in the price of gas and electricity. If we disregard these influences, the softening is less marked than could be assumed from the development of total consumer prices.

### **Outlook**

Conditions for a revival of business have somewhat improved since last fall: The current account deficit dropped substantially, and this resulted in hopes for a D-mark revaluation. As interest rates in the United States tended to decline also,

and inflation in the FRG slackened, the Bundesbank felt able to ease its restrictions. The (again) lower wage agreements and the rise in the terms of trade permit us to expect an improvement in corporate profits and thus provide an important condition for the revival of the inclination to invest. On the other hand business abroad has not really shown any signs of impending revival, and the haggling about an employment program contributed to more insecurity among investors.

Economic development in the course of 1982 is broadly predestined. Nevertheless a forecast requires assumptions with regard to such important general conditions as foreign trade influences, future monetary and fiscal policy as well as the outcome of still pending standard wage negotiations.

The institutes are basing their forecasts on the following assumptions:

- As illustrated in the section of this report dealing with the world economy, total output in the industrial countries will revive only gradually in the further course of this year.
- The German Bundesbank will maintain the central bank money supply in the upper half of the target range.
- Insofar as measures for the stimulation of the economy are concerned, the "common initiative for jobs, growth and stability" will surmount parliamentary hurdles. However, the rise in the rates of value-added tax in mid-1983 will be replaced by a combination of spending cuts and more new borrowing.
- The pending outcome of the 1982 standard wage negotiations will not substantially differ from contracts concluded earlier.

On the basis of these general conditions the institutes in Berlin, Essen, Hamburg and Munich expect the stagnation of total national output not to continue for long; in the second half we may indeed look forward to a slight rise. The Kiel Institute holds a different view and believes a decline more likely within the short term; it does not expect business to improve until the end of the year.<sup>3</sup>

The stage of improvements in general conditions has still been too brief for a more definite rise in total national output. Furthermore, financial policy is failing in its duty to help employment. As a consequence of the extremely high rise in the budget deficit, efforts are concentrated almost exclusively on its rapid reduction. Involved in the cuts was mainly investment spending, because the government lacked the resolution to correct those expenditures that would have been appropriate without weakening the forces of growth. Moreover consumption taxes were raised. As a result procyclical demand effects of fiscal policy clashed with the restructuring of public spending, damaging confidence and growth. These effects are not balanced either by the "common initiative for jobs, growth and stability." In fact the long vacillation about the whether and how of an employment program resulted in a worsening of the mood in the economy. All in all we must assess as adverse the influence of fiscal policy on the economic development of 1982.

### Changed Trend of Investments in Stocks

The expectation of a production revival in the second half is based primarily on the easing of monetary restrictions, the continued lower wage agreements and the gradual revival of demand in the industrial countries as well as on the development of cyclical factors. Following the serious decrease in stocks in the second half of last year and the first months of 1982, much seems to indicate that stock reductions are now coming to an end. Even a slowdown in stock reductions in effect raises output, because the major part of demand is satisfied from current production.

### Rise in Equipment Investments

In the winter half the decline in the inclination to invest weakened again. More favorable profit expectations, especially due to the definitely smaller rise in wages costs per item, the correction of the terms of trade caused by the stabilization of import prices and the decline in interest rates are bound to allow the demand for equipment goods to rise once again. At the same time general conditions have not yet improved to the extent that we may assume a strong rise in the inclination to invest, although there is a great deal of pressure for more investments. If for no other reason than to secure their long-term competitiveness, firms need to introduce new products and new production processes. Despite the lower prices of oil products it is still a good idea to resolutely increase investments in synthetic fuel production and energy conservation.

Regardless of business criticism of the investment grants, it may be assumed that these will result in increased orders and, probably, also some growth in investment activity--especially toward the end of the year. Admittedly, though, deliveries of the orders thereby stimulated will mainly take place in 1983.

In the average of 1982 real equipment investments will be below those of the previous year. At 3 percent the decline is likely to be about the same as in 1981.

### Further Decline in Construction Investments

The drop in construction demand continues relentlessly. By the criterion of the orders received, demand has shrunk by no less than a third since the turn of the year 1979/1980, noticeably more than that for capital equipment. The decline is even more serious than in the 1974/1975 recession.

However, several factors indicate that demand in housing construction and business construction has now bottomed out. The noticeable rise in building permits issued at the beginning of the year may be taken as an indication of a revival in the receipt of orders for building construction and civil engineering. Such a rise is built into many fiscal measures such as depreciation relief, subsidies and special programs as well as in the lower level of interest rates and the improvement in corporate earnings.

In contrast to housing construction and business construction demand, no real revival of public construction is to be expected this year. That is largely due to the financial squeeze on local authorities. Laender allocations to local authorities are to be severely cut. As their tax receipts are rising very slowly, and the

majority of their expenditure is fixed, local authorities will probably radically limit their investment spending. Another--albeit lesser--decline in investments is to be assumed with regard to the Federal Government and the Laender.

As we have learned from past experience, the revival expected in the demand for housing construction and business construction will not immediately affect investment activities. Consequently total construction investments are likely to decline all through the year. In the annual average the decline will probably be twice that of the previous year (3.5 percent).

#### No More than Hesitant Revival of Private Consumption

The development of private consumption in the course of 1982 will be somewhat more favorable than in 1981. One factor here is the further weakening of inflation, as a result of which the real incomes of private households are moving upward. On the other hand we may expect a decline in the savings ratio; this is indicated by the lowering of interest rates and--in connection with that--the growing inclination to realize delayed purchases. However, the rise in consumption will be rather hesitant and total consumption for the average of the year slightly lower than in 1981.

#### Exports To Rise Far More Slowly than Last Year

The impetus arising in the past 2 years from the real devaluation of the D-mark as well as the demand pull of the oil exporting countries will slacken noticeably in the course of this year, so that the rise in goods exports is bound to considerably weaken.

The international competitiveness of German suppliers continues to be considerable. The improvement in their situation compared with competitors from the dollar region was so strong that a D-mark revaluation vis-a-vis the dollar--reversing the trend in the foreseeable future--is highly unlikely. By comparison with the West European countries FRG competitive capacity will worsen very little--if at all. The clear improvement in the German current account and the price disparities by comparison with most European countries will probably result in a higher value for the D-mark. However, going by past experience, this will be rather smaller than would have to be assumed as per the differential in inflation.

In view of the persisting weakness of domestic demand, much indicates that German exporters will be well advised to continue not to exploit the scope for higher prices in order to improve their profit margins but, by price restraint, seek to expand market shares on the world market.

In the coming months the rise in imports by the oil exporting countries will probably continue to weaken due to the decline in oil prices and the substantial reduction in the volume of oil sold; in fact we cannot exclude the possibility of a drop. On the other hand, the German economy benefits from its favorable price competitiveness and also its range of supplies which comes close to the wishes of these countries. German exports to the oil producing countries will therefore continue to rise, albeit much less than last year.

Due to their difficult balance of payments situation, the other developing countries are unlikely to expand their imports. Consequent upon the overall poor economic situation and persisting political tensions, imports by the state trading countries must be expected to remain depressed.

These factors holding back exports are countered, though, by the expectation of a gradual revival in the demand and output of the industrial countries which account for by far the largest part of West German exports. Total exports will therefore tend to increase rather more strongly in the latter part of the year, following a phase of relative weakness. In 1982 we thus expect exports still to continue to assist the economy, although far less so than in 1982. This is not really reflected in the decline in the average annual growth rates of real goods exports from 8.5 percent to 7 percent.

#### The Return of the Current Account Surplus

In view of the probably stagnating real total demand and the improved price competitiveness of the German economy, goods imports are unlikely initially to rise much. Not until the revival of demand and output in the second half of the year will imports increase again. At the same time, due to the restocking of warehouses, imports of primary products will register a disproportionately large growth.

In real terms the external contribution will continue to increase in the course of the year, although more slowly. In view of the improved terms of trade, the nominal external contribution will rise even more strongly. For the first time since 1978 this year's current account will end with a surplus, estimated at DM5 billion. Obviously due to the considerable gross flows affecting the balance, this estimate is liable to a substantial margin of error.

#### Continuing Rise in Unemployment

Given the expected course of total national output, the real gross product in the second half of this country will exceed last year's by only about 1 percent. Viewed as an annual average, the total national growth rate will be rather small at no more than 0.5 percent. The recovery of output will arrive too late and be too weak to be able noticeably to halt the rise in unemployment. Factory closures and bankruptcies will continue to proliferate, and the efforts of many employers will again be directed to the improvement of profits by personnel cuts. The decline in employment will, therefore, be very little lower to begin with. It should stop, though, toward the end of the year. At that time the figures of employed wage and salary earners will be lower by 250,000, those of all gainfully employed persons by more than 300,000 than at the start of the year.

As the potential of the labor force will increase by an estimated 200,000, the rise in unemployment will persist throughout the year. At the end of 1982 the seasonally adjusted unemployment figure is likely to amount to almost 2 million; despite the declining registration it would thus be 350,000 more than at the start of the year. In the average of 1982 1.8 million unemployed will be recorded; the rate of unemployment will amount to 7.5 percent, following 5.4 percent last year.

## Government Deficits Larger than Planned

The weak economic development will result in more spending and less revenues for the government. It will not be possible, therefore, noticeably to reduce the government deficit as originally intended. Spending will be particularly affected by the need for larger subsidies to the Federal Institution for Labor. As the unemployment figures will be larger by 200,000 than the Federal Government had initially assumed, and as other spending appropriations will also be exceeded, the Federal Institution will need another DM4 billion.

The growth in tax revenues will remain below that of the gross national product at prevailing prices, though generally there will be no reductions in direct taxes, while increases in consumer taxes will take effect. This is due both to the weak yield of profit-related taxes and to the fact that the turnovers subject to the value-added tax are rising much less than the gross national product, so that even turnover taxes will not yield much additional revenue. Despite a definite rise in the Bundesbank's profit transfer, the deficits of the central, regional and local authorities will decline by only about DM8 billion to DM6 billion. They will thus amount to about DM10 billion more than recommended by the financial planning council.

Moreover, the decline in the deficits of central, regional and local authorities is in part achieved at the expense of the social security system. Following a DM4 billion surplus last year, the system will record a DM1 billion deficit in 1982 because the Federal Government has cut its subsidy obligations, income from contributions is rising more slowly due to declining employment, and reswite a general 0.5 percent increase in the rate of contributions. Also pensions are being raised. The total government deficit will be reduced by just under DM3 billion.

## Inflation Weakening Further

The developments of costs and demand both indicate continuing price stabilization: Import prices are likely to remain stable, especially because we must assume a trend toward D-mark revaluation. Consequent upon the new wage agreements and the more favorable development of productivity, the rise in wages costs per item will probably be halved in the average of the year to only 2.5 percent.

Price stabilization will display differences in strength as far as the various areas of use are concerned. Equipment and construction investments will be mainly affected by the attempts of producers to pass on the sharp increase in steel prices. At the consumer end the basic trend of price stability will be temporarily overlaid by the rise in indirect taxes, postal fees and the prices of electricity, gas and water. Nevertheless a definite reduction in the rate of inflation to 4.5 percent is to be expected (compared with almost 6 percent in 1981). By the end of the year it will amount to less than 4 percent compared with the same period last year.

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In general the Institute for World Economy (IfW), Kiel, assesses current economic conditions much as same as do the other institutes.

Standard Data on General Economic Developments in 1982 (percentage changes compared with the previous year

Anticipatory Estimate by the Institute for World Economy, Kiel

| Total Expenditure at 1970 Prices   | 1982  |
|------------------------------------|-------|
| Private consumption                | - 1.0 |
| Capital equipment investments      | - 6.0 |
| Construction investments           | - 6.5 |
| Inventory investments (billion DM) | 0     |
| Exports                            | 5.5   |
| Imports                            | 2.5   |
| Gross national product             | - 0.5 |

The institute does assume, though, that the effects of earlier restrictions are going to last longer, so that economic development in 1982 will proceed to be unfavorable. In contrast to the other institutes the IfW does not expect declining interest rates, improved terms of trade and lower inflation rates to act as appreciable demand stimuli in 1982. Though the slowing down of inflation will result in a more favorable development of real incomes and lower raw material prices in less cost pressure, some factors remain to curb any improvement. For example, the expectation of lower inflation tends to recommend a delay in purchases, especially because substantial government borrowing promises a high yield for monetary assets. Given these conditions, the IfW does not expect private households quickly to reduce their savings ratio. Moreover, the continued deterioration in the labor market situation and the resulting uncertainty about future incomes indicate that households will restrain spending for some time yet. The IfW consequently foresees a somewhat greater decline in real private consumption for 1982.

Corporation inclination to invest has further weakened. As long as the rate of inflation is expected to go lower, corporations are likely to postpone any implementation of their investment projects. In addition profits are still quite depressed--in the second half of 1981 the share of business earnings in the narrower meaning (excluding investment incomes of private households) in the national income was lower than at the bottom of the 1974/1975 recession.

Given the initially still declining business activity, even the lower wage agreements will not provide any significant improvement in corporate profits. Only when the yield of monetary assets definitely drops by comparison to that of non-monetary capital--if, for example, expectations of corporate yields begin to rise--will we see a noticeable improvement in the demand for investment goods. This is highly unlikely in the short run in view of the earlier mentioned capacity-oriented monetary policy, especially the high-interest government need for credit. For 1982 the IfW therefore does not predict any stockpiling and foresees a far greater decline in equipment investments than do the other institutes.

Due to its lower appraisal of business in Western Europe, the IfW also expects less stimulus to be exercised by foreign demand. Moreover it ascribes a greater likelihood to the risk of the collapse of exports to the oil producing countries and some developing countries as well as the Eastern bloc.

In general the IfW assumes that national output will definitely drop in the first half of 1982, and that recovery will not begin until the end of the year. The real national product will therefore again be slightly below that of the previous year. The result will be lower revenues and greater spending of public budgets; the public deficit is likely to amount to some DM75 billion in 1982. As far as the increase in the deficit is due to cyclical factors, no additional need for action by the fiscal authorities arises.

#### Economic Reflections<sup>4</sup>

The 1982 economic development will be characterized by progress in the stabilization of cost and price levels and the improvement of the current account; output may revive somewhat but not enough to prevent another rise in unemployment. Nor is it by any means certain that a lasting improvement will begin, deserving the description "upturn" and expectations of a real diminution of unemployment. Rather is it to be feared that the weakness of growth will persist in the next few years and unemployment remain high. Economic and wages policies are thus more than ever challenged to provide conditions for getting over this growth lethargy and defeatism with regard to unemployment.

Earlier attempts to achieve the growth and employment target by repeated demand stimulation failed to achieve lasting success not only in the Federal Republic but also in other countries. They merely helped raise public deficits.. Consequently many people call for a reorientation from demandside to supplyside policies. All too often emotional commitment rather than calm matter-of-factness dictates the discussion about the economic strategy most appropriate to current economic problems. All too often the impression arises that economics is basically confronted with a choice between demandside and supplyside policies. In fact, though, economic intervention alters the terms of both supply and demand.

If the weakness of growth is to be overcome, the improvement of supply conditions will be crucial. At the same time the effects of such a policy on demand must be taken into account so as to avoid disruptions of total economic developments. The misdirected attempts at achieving permanent results by anticyclical policies are good enough reason to call for strict trend orientation. The state being an immensely powerful customer, it bears a special responsibility here.

Supplyside policies should improve the bases of growth and employment. Following the vain attempts to achieve such improvements against the market by increasing regulations, subsidies and transfers, efforts should now be directed to greater individual initiative, responsibility and private powers of innovation. At the same time the government should make available the complementary investments necessary for greater private investment.

The following principles emerge with regard to monetary, fiscal and wages policy:

- Monetary policy should be consistently oriented to capacity,
- Wage restraint should ensure that the provision of new jobs serves to establish the conditions for the necessary rise in employment,

-- Fiscal policy should not give rise to disruptions of the development of demand; the reorganization of the tax and spending structure should improve conditions for growth and employment.

Monetary policy should so fix the monetary framework as to offer scope for appropriate economic growth while simultaneously ensuring further progress in stabilization. This is best done by a money supply policy that is oriented to capacity and maintained regardless of the development of foreign trade, public finances, prices and business conditions. If the expansion of the money supply were, for any length of time, to exceed the range of capacity (to be planned at 5.5-6 percent this year), production would indeed be stimulated in the long run, but only at the price of increasing inflationary scope. If, on the other hand, it were for any length of time to fall short of that range, price stabilization would be emphasized, but at the expense of output and employment. Furthermore, any lengthy deviation from the range of capacity raises the specter of the bank of issue being finally driven to excessive counter-measures.

This year foreign trade is unlikely to cause an unduly weak expansion of the money supply. Indeed there is reason to fear that the expansion of the money supply may burst out of the capacity range due to the growing trend to D-mark revaluation. This could happen if the Bundesbank were--as before--to counter a rise in the D-mark's external value by liquidity augmenting purchases of foreign exchange or by measures designed to exert downward pressure on interest rates. There is a definite need for revaluation vis-a-vis the currencies of most partner countries in the European Monetary System. That is demonstrated by the drift apart of these currencies and the increase in the frequency of interventions in current and capital transactions. The goal of ensuring long-term competitive capacity and growth is not served when some countries resist exchange rate corrections for short-term employment motives or the fear of importing inflation. If the member countries are unable to agree on the necessary changes in the guide rates, the Bundesbank should cease intervening on the foreign exchange market.

This year's wage agreements are a step in the right direction. They should be followed by similar agreements in the coming years. High unemployment and the continuing rise in the manpower capacity require wages policy to maintain definite restraints, so that corporate profits may lastingly improve and job creating investments be stimulated.

Evidently it is not easy for those in secure jobs to understand why it is in their interest to exercise wage restraint. Yet their interest in a future strong rise in real income is best met if they are satisfied with modest wage raises in the immediate future. This way productivity will rise by way of rising investments, and the earnings to be distributed will increase accordingly. Moreover, investments will cease to be directed to manpower conservation only once labor becomes cheaper in relation to capital.

As the risk of unemployment by no means affects all groups and all regions in the same way, wages must better correspond to the differences on the various markets. A wage structure more definitely regionalized and related to occupations and skills would help the better balance of the labor market. It would also encourage the

regional and occupational mobility of the labor force; failing this it will be almost impossible to deal with the necessary structural changes.

For some time past fiscal policy has violated the principle of constancy as well as that of growth conditions. A somewhat inappropriate orientation of fiscal policy to the financial deficit and the consolidation of public finances was just as responsible here as the renewed activism at a time when unemployment rose to nearly 2 million last winter.

Operation 1982 essentially reflected the wish to permanently improve general investment conditions and obtain the resources needed at least partly by cuts in consumptive public spending; the common initiative, on the other hand, represented regression: For one it attempted to stimulate investment by a short-term investment subsidy, though the weakness of investment is a matter of the medium term; for the other it was intended to finance it by way of tax increases--in order to stick to the target of deficit limitation.

Any increase in taxes and contributions seems inappropriate because this obstructs private initiative, the engine of a dynamic economic development, or drives it underground. While this objection applies in particular to a rise in direct taxes and contributions, it is valid also with regard to an increase in general and special taxes on consumption. On the one hand it is by no means certain that indirect taxes are in fact passed on, on the other the incentive to stray to the underground economy does not really depend on the kind of tax levied.

It would be appropriate to finance the investment subsidy by way of additional government borrowing if the investment weakness were of an entirely cyclical nature. Cyclical considerations, though, are not very prominent. For that reason a recourse to borrowing would merely increase the danger of permanently hiking the public debt.

A simple repeal of the investment subsidy would destroy confidence in government economic policy, especially because the government repeatedly promised to implement the investment subsidy; it is therefore not to be considered. Of course a permanent easing of burdens on investors would be better than any temporary investment subsidy.

To finance investment promotion it would be well to decide on cuts in public spending on consumption, transfers and subsidies. This would reassure investors that they would not at a later time have to help finance the investment subsidy by way of higher taxation.

Similar considerations arise in the matter of covering the incipient additional public spending and revenue shortfalls. Financing these by additional borrowing is only appropriate if merely cyclically induced gaps are involved. In the short run it is admittedly difficult to judge what in fact ranks as cyclically induced. In retrospect many trends assumed at the time to be cyclical turned out to be permanent. An important example is the rise in the expenditure on unemployment compensation experienced in the course of the 1970's. Against all initial assumptions this trend turned out to be permanent because--after the stage of economic weakness--unemployment did not return to its original level.

In the current situation any growth promoting fiscal policy requires cuts even in "well earned" claims. It will therefore attract lively protests from the groups affected. If they are to be spared any hardships now, the problem will be merely postponed and worsened, necessitating more severe cuts in future. That is why those responsible for economic policy should not hesitate to correct those incomes and expenditures that were handled too generously in the past. Among such provisions are the pension adjustments, now geared to gross wages, the generous bases for unemployment compensation claims, the lack of individual responsibility within the framework of national health insurance, the financing of retraining and education (including academic education), subsidies in the farming, steel, coal and ship-building sectors, as well as special benefits for the public service.

If these problems are resolutely tackled, the amount of the 1982 budget deficit is not all that important. It is important that the way should be clear for a reduction of deficits in future years and the impression removed that the consolidation of public finances is to be achieved by putting greater burdens on those who should work and invest to revitalize the economy.

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The German Institute for Economic Research (DIW), Berlin, shares the view of the other institutes that fiscal policy needs to contribute to the stabilization of demand as well as to an improvement in medium-term growth conditions. Unfortunately actual events in the past 2 years leave a lot to be desired in regard to a balance between these two aspects.

In consideration of the large deficits (still rising due to the weakness of the economy), fiscal policy has neglected the demand aspect--at the expense of total economic development. Endeavoring to limit the deficits, spending was cut even when this implied direct contractive effects, especially public investment. The authorities believed to be able to justify their policy by pointing out the failure of past shots in the arm. Disregarded here was the fact that the unsatisfactory results of past programs were due largely to their neutralization by cuts in the regular budgets and by unfavorable foreign trade influences, so that the additional revenues expected from the stimulation of the economy did not materialize. In the final analysis financial policy since 1980 has itself assisted the extension of overall economic weakness and thereby exacerbated the problems of budget financing. This one-sided orientation threatens to continue. The common initiative, especially the planned investment subsidy, will not be able to make up for the neglect of demand stabilization this year either. Its effects on production will be felt mainly next year, while 1982 public investment will once more decline quite sharply.

The investment subsidy and the financing initially planned are another example how it is possible to lend support to the verdict that programs of whatever kind are pointless. The investment subsidy provision is too short-term, and financing it from tax increases entirely or largely nullifies its general economic stimulus. Appropriate would be greater government borrowing.

If it is desired to regain the opportunity to accomplish the stabilization of demand and encourage medium-term growth, a definite reduction in public deficits is vital. However, such a consolidation will not be achieved only by spending cuts, though

doubtlessly there are items where economies are not only unobjectionable but indeed desirable for speeding-up growth. Raises in tax rates will be inevitable, especially with regard to indirect taxes which, due to their determination, proceed progressively. Failing this no medium-term consolidation can be achieved. Such tax rises need not adversely affect output. The employees willingness to work is now damaged mainly by their perception of abuses and even by the legal recourse to public services that are basically unjustified because too generous. The majority of the institutes pointed out some of these areas.

This year's round of wage negotiations--like that of 1981--has been yielding agreements well deserving of the description "restrained." If monetary and fiscal policies had lived up to expectations and continued to do so, these agreements would surely result in a stronger improvement of the profit situation and the inclination to invest. It remains to be seen how far the recovery of profits will go, and when the level of yield margins required in the medium term will be reached. At this time it is still impossible to document the necessity of many years of continuing wage restraint. Once the employment figures begin to rise again, the DIW is quite convinced that employees will be able much sooner to fully share in the benefits of the growth of productivity.

#### FOOTNOTES

2. See "The Situation of the World Economy and the West German Economy in the Fall of 1981" (majority vote).
3. See the Institute for World Economics estimate at the end of the Outlook section.
4. The German Institute for Economic Research (DIW), Berlin, differs from these views in some respects. See the arguments at the end.

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CSO: 3103/481

## PROGRESS, PROBLEMS IN GOVERNMENT BUDGET ISSUES

Hamburg DER SPIEGEL in German 17 May 82 p 32

[Text] It was almost like the old days. Vice Chancellor Hans-Dietrich Genscher was joking with his SPD colleagues at the cabinet table; after weeks of wrangling, the coalition partners were once again civil to each other.

"That was all very constructive," was the praise of Economics Minister Count Otto Lambsdorff. The chancellor thought that the conference was "happily unemotional."

Without great ado the Liberals last week abandoned their demand that a decision be reached today concerning the amount by which the taxpayers burden should be lessened for 1984. The new SPD minister of finance, Manfred Lahnstein had apparently convinced the coalition partners. It would be too risky, said Lahnstein, without having sufficient economic data, to decide on the amount of taxes that the country could do without in 1984.

The thrift-obsessed Liberals also accepted without complaint the resolution to close the 6 billion mark gap in this year's budget by simply incurring new indebtedness. New indebtedness will rise this year to over 32 billion marks, though this gives the partners a breathing space before the debate over cuts in social programs begins once again.

Even demands which had nearly caused the social-liberal alliance to collapse last year are no longer an issue for the Free Democrats. The Liberals are no longer demanding cuts in unemployment benefits and continuing wage payments to employees on sick leave. Said Genscher to Willy Brandt, "You've probably noticed that we're not pushing that any more."

This civil tone between the partners is in the interests of both sides. Even the Free Democrats have come to see that constant wrangling within the coalition will not improve their chances in the Hamburg elections of 6 June. Economics Minister Count Lambsdorff himself would not mind a stretch of peace and quiet.

Yet new quarrels could come to a head quickly. The real budget problems have in fact not been resolved, but only put off for the 1983 fiscal year. The coalition hopes to set its budget guidelines on 16 June.

The extent of the fiscal dilemma has been known by a small circle since Tuesday of last week. Lahnstein disclosed to the chancellor as well as the Free Democrats Genscher and Lambsdorff that even if the projected Bundesbank profits of 10 billion marks are counted, that he will still lack an additional 10 billion marks. Even that much will probably still not be sufficient.

The finance minister will have to transfer 5 to 6 billion additional marks to the Federal Labor Office alone, since no one had predicted that the number of unemployed in 1983 would drop by less than 1.8 billion. The ministry of defense will be looking for an additional 1.6 billion marks, half of which will represent obligations which must be met. Lahnstein will have to dig up 1 billion marks, because the Laender are no longer paying their supplement to the children's allowance; he will be out another 1.5 billions because tax revenues are diminishing.

Even the consultations in the bi-cameral mediation committee on the unemployment program brought no good news for Lahnstein. While the committee did give its approval to the investment allowance that had been resolved by the coalition, the Union-governed Laender blocked its planned financing through an increase in the value-added tax. The deficit for 1983: some 920 million marks.

The Union Laender also approved a plan which would require pensioners to pay, from next year on, a health insurance premium of 1 percent of their gross pension. Yet the finance minister cannot divert the 1.3 billions raised in this way to the Federal treasury. The money is to remain in the old age pension fund.

At the cabinet session of 7 July the coalition hopes to make a final decision on the budget. The partners are already in agreement on one basic point: new indebtedness for 1983 should be "clearly under 30 billion."

In the medium-term fiscal planning, indebtedness was limited to 25.8 billions. Unless the notion of "clearly" is given too narrow an interpretation, debts of another 4 billion marks would be possible.

Those billions that are still missing will have to be dredged up from somewhere. The new SPD minister of labor, Heinz Westphal, knows that the Liberals covetousness is aimed at his department. The idea is once again being considered of calculating the payments of the Federal Labor Office for old age insurance of unemployed persons not on the basis of their last gross wage, but upon the much lower unemployment benefit paid. This would result in a savings of some 3.5 to 3.9 billions.

Under the heading of "social equity" even the FDP's clientele is to feel the pinch. Tax breaks for entertainment of business associates are in serious danger; civil servants, whose pensions are assured in any case, will not be able to take tax breaks for additional pension contributions to the same degree as they have in the past.

The Social Democrats know, says SPD manager Peter Gloz, how difficult the coming negotiations are going to be. Yet this still does not seem quite so clear to the rest of the comrades.

The results of the mediation efforts, asserted SPD deputy Hans-Eberhard Urbaniak last Wednesday at a conference of wage-earners in Castrop-Ruxel, cannot be paid for by cuts in social programs. "They'll do that over my dead body," he said.

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## OFFICIAL GIVES REPORT ON FOREIGN WORKERS

West Berlin DER TAGESSPIEGEL in German 12 May 82 p 6

[Text] West Germany's economy cannot dispense with resident foreign workers, was the view of Liselotte Funcke, the government's commissioner in charge of questions concerning resident foreigners. "Our gross national product and our exports could not be maintained at their present levels without their contribution," Frau Funcke emphasized in a report on the situation of foreign workers resident in the Federal Republic, which she presented yesterday in Bonn.

Because of trends in the development of the population structure there will be a substantial shortage of persons entering the labor force within a few years, particularly in the areas of skilled workers, artisans and, to a degree, in services, Frau Funcke declared in her report. In her opinion, resident foreign workers and their families should, after a longer period of residence be "given assurances of their legal status and thereby be protected against differing and uncontested expediency decisions." In this connection she mentioned resident foreigners fear of deportation.

Frau Funcke spoke out emphatically against a lowering of the age limit for admission of the children of foreigners younger than 16. A further lowering, as is now under discussion in the Union parties, would, in her opinion, be unconstitutional and intolerable for reasons of humanity alone.

Frau Funcke predicted little success for the proposals to subsidize the return of foreign workers now under discussion. It would be pure illusion, she said, if it was expected that some 20 percent of the more than 4.6 million resident foreigners could be motivated to return home through financial stimuli.

According to the statistics presented by Ms Funcke, the number of foreigners resident in the Federal Republic, despite the ban placed in 1973 on further recruitment abroad, has climbed steadily due to the influx of spouses and children. The total last year was reckoned at 4,630,000. In comparison with several neighboring countries, however, the percentage of foreigners resident in West Germany, 7.3, is still relatively small. In Belgium the percentage is 8.9 and in Switzerland 14.3 percent.

Nearly 38 percent of resident foreigners have been living in the Federal Republic for between 10 and 15 years. While among Greeks and Spaniards substantially more departures have been recorded than new arrivals, there has been a "migration gain" among Turks of more than 430,000 persons. Frau Funcke attributed this to the economic and social conditions prevailing in Turkey. The Turks, with more than 1.5 millions, continue to represent the largest contingent of foreign nationalities in the Federal Republic.

The approximately 2,000,000 foreign workers in the German economy are primarily concentrated in the sectors metal founding (26.8 percent), restaurants and hotel trade (22.1), textile working (19.5), plastics processing (18.8), motor vehicle construction (16.0), iron and steel production (15.1) and mining (12.9). In sub-surface operations every fourth miner is a foreigner. The share of foreigners among all persons engaged in the manufacture of automobiles has reached 35 percent.

Frau Funcke complained that the discussion of foreigners resident in the Federal Republic has suffered from the lack of knowledge of such data and the tendency to blanket judgements. She viewed with great concern the growth of public expression hostile to foreigners, which has already evoked reactions from among those affected. She conceded that not every voice raised in criticism represented a negative attitude. "For this reason," Frau Funcke emphasized, "objectivity, moderation and fair judgement is called for in the discussion of issues concerning resident foreigners."

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## BONUS PLANNED TO ENCOURAGE FOREIGNERS TO GO HOME

Hamburg DER SPIEGEL in German 10 May 82 pp 28-29

[Text] On the subject of policy toward foreign workers the Bundesrat (upper house of the German Parliament) has for some time now been fully nonpartisan. Whether the question is limitation of immigration for dependents or of damming the tide of persons seeking asylum--SPD- and CDU-governed states are all pulling on the same rope.

A cozy nonpartisan mood was the rule even last March, as a bill proposed by the CDU-governed states "for fostering the willingness of foreigners to return home" was on the agenda. The only senator marching to a different drummer was Bremen's Guenter Czichon.

Czichon found the bill, which had been initiated by Baden-Wuerttemberg, "extremely problematic;" its main proposal--early payment of unemployment benefits to jobless foreign workers who were willing to return home, he called, "a deportation bonus oriented solely to the job market."

Czichon's criticism was not directed at the bill's basic idea of easing foreigners' departures with cash. Instead he was seeking to initiate "other modes of encouraging their return."

Such appeals to moderation appear to be needed in the light of the frenzy with which politicians of every stripe are reacting to the country's increasing xenophobia (s. DER SPIEGEL 18/82). The issue of aid to returnees is also more complicated than such readymade legislative initiatives as the Bundesrat's might lead one to believe.

The government was aware of this, when, in November of last year, it commissioned a joint ministerial commission to study this aspect of policy respecting foreign workers. In the Cabinet's instructions to the commission "special emphasis was to be placed on preventing a carryover effect upon those persons already willing to leave."

With good reason: since the ban on recruiting abroad was imposed in 1973, almost two million foreigners who had been recruited from countries where worker recruitment had been permitted, have left the country--all of them without any financial assistance.

In its draft report the commission concluded that "assistance to all returnees --including those who would have returned anyway--would result in fiscal allocations of very significant dimension even before additional impulses to return could be effected."

With this line of argument the experts rejected the Bundesrat proposal to stimulate resident foreign workers' return home by making possible a "capitalization" of their unemployment benefits. Such a measure, they warned, could "have the effect of causing foreign workers to bring about their own unemployment so as to be able to enjoy the benefits of returnee assistance.

Reasons of legal equality also disinclined the commission to look favorably upon the Bundesrat's proposal: unlike the foreign workers, a German--who for example, would leave the ranks of the employed because he wanted to operate his own business--would have no claim upon such a settlement.

At the same time, the commission still felt that it made sense to encourage unemployed resident foreign workers to return home. Their proposal: leaving aside the problematic "close linking of the benefits to the problem of their being unemployed," they should receive "a general premium in the event of their definitive return to their country of origin."

The commission calculated the settlement in this fashion: since resident foreign workers are unemployed an average of 5 months and during this time draw an average of DM 1,000 a month in unemployment benefits--and, in addition, some DM 600 in health and old age insurance premiums--an emigration subsidy could total some DM 8,000. On top of this would come claims on family allowance payments--for each child who also returned home, a settlement of DM 1,500 would be paid.

To minimize the problems of a carryover effect even with this scheme, the commission proposed graduating the premiums according to the length of individual worker's previous residence in the country. Those resident foreign workers who had entered the country before the ban on recruitment would receive DM 8,000. Those who had been residents for between 7 and 10 years would receive only DM 6,000; between 4 and 7 years, DM 3,500.

Two other proposals with which the commission would encourage the general willingness of resident foreigners to return home were less problematic than the one described, to which some hint of a "deportation premium" is attached, as it is to the Bundesrat's proposal, provided for the following measures:

- elimination of the 2-year waiting period for payment of premiums paid by employees into the old age insurance fund (also envisioned in the Bundesrat proposal);
- early repayment of sums paid into savings and loan accounts and other government subsidized savings schemes, without penalty for withdrawal.

In some cases, resident foreign workers willing to return home could be entitled to more than DM 20,000.

Yet Czichon stated in his criticism to the Bundesrat that cash alone would not be sufficient. He regarded a "more efficient policy of development assistance to the countries of origin" as necessary, along the lines of the employee associations in Turkey which have been promoted by Bonn. In these enterprises --some 100 plants with more than 10,000 employees--about 230,000 Turkish resident workers have already invested more than DM 7,000,000.

Even the Bonn commission, according to the senior official in the Ministry of Labor responsible for the report, Wolfgang Bödenbender, sees the necessity of a "productive support of emigration." The report states, "Parallel to the financial subsidies, the impulse for returning home should be reinforced by an assistance program which would make it possible for a returnee to find employment in his homeland."

Details of the program are on this Monday's agenda of its discussion by experts. They want to discuss with representatives of trade unions and employers how returning foreign workers--"especially Turks"--might best invest their money back home.

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## FINANCE MINISTER PEKKALA DELIVERS REPORT ON ECONOMY

Helsinki HELSINGIN SANOMAT in Finnish 28 Apr 82 p 9

[Article: "Government to Parliament on Economic Policy: Slight Upswing Next Year"]

[Text] By the end of the year economic growth will begin to increase and there will be a slight upswing in 1983. This is what the government believes in the economic policy report on the immediate future which was submitted to Parliament on Tuesday. Finance Minister Ahti Pekkala (KEPU [Center Party]) read the report.

As production slowly picks up, unemployment will, however, increase during the first quarter of 1983 despite the economic policy measures already decided on, the government estimated. Then it is anticipated that employment will improve so that by the end of the year the unemployment rate will be lower than during the last quarter of this year.

While in March there were 142,500 unemployed, in not quite a year's time it is anticipated that there will be about 185,000 unemployed. The government estimated that without the economic policy measures on the government program there would be from 10,000 to 15,000 more unemployed.

The sum of 320 million marks will be appropriated in the spring supplementary budget for additional work programs. They have also begun to work on other measures to advance the development of employment. Among others, by the end of May they will be looking into the possibilities of considerably reducing pension payments for young workers as of the beginning of 1983.

This year inflation will advance more slowly than before. Consumer prices will rise 8.25 percent, or 1 percentage point less than predicted in January. Last year the inflation rate was 10 percent and a year earlier 13.7 percent.

The government, however, warns that noticeable inflationary pressures will keep piling up until 1983. Among other things, rises in wages and farm income scheduled until the start of next year will have an effect as domestic factors. The government notes that, without an economic policy that combats inflation, our prices and costs threaten to go up faster than in competitor countries.

### Rise in Tax Rates Will Be Curbed

The government is trying to curb a rise in tax rates. The government also intends to plan hikes in government payments and wage scales so that they are clearly smaller than the rise in prices that will occur. Insofar as is possible, it intends to limit any rise in indirect labor costs.

In connection with the drafting of next year's budget, the government will make its final proposals on the basis of the overall scheduling of taxes and a more detailed emphasis on that. The report reminds us that the government program promises to conduct examinations of inflation in taxing to make wage policy decisions easier.

The focal areas for proposed income and expenditure estimates are considered to be the promotion of employment, improvement of the situations of families with children, checking the rise in housing costs, research and product development and development of the essential public services.

According to estimates by the different ministries, next year the volume of expenditures will grow to 9 percent more than this year's budget. The cost of servicing the national debt, which will grow by 1.5 billion marks, will proportionately increase the most.

The government believes that the national economic situation will weaken this year. The need for loans will grow to about 8 billion marks, that is, considerably larger than was estimated in this year's budget proposal. Next year's funding needs will also be considerable.

According to the government, however, as an objective of the budget policy the incipient economic up wing will probably reduce the deficit, which will be transformed into a rebuilding of the national economy, and preserve room to maneuver in for the next decline in the economy.

### Services Being Developed

Before the end of this spring the government will try to reach agreement with the central municipal organizations on continuation of the so-called document procedure. The government is aiming at curbing the growth of consumption costs. Development of the essential public services can, however, probably be realized in accordance with the plans that have been approved.

The government does not feel that the outlook for exports is very bright, although it is expected that exports to the West will pick up to some extent. On the other hand, the volume of exports to the Soviet Union will drop from the level earlier attained.

According to the government, the primary aims of the economic policy are to sufficiently well protect preservation of our ability to compete and to increase export volume.

Discussion of the government's report on the economy will begin in Parliament at 1300 hours on Wednesday and is expected to last far into the night of the following Thursday.

## CONSERVATIVES ATTACK FINANCE MINISTER'S ECONOMY REPORT

Helsinki HELSINGIN SANOMAT in Finnish 29 Apr 82 p 11

[Article: "Parliament Directs Government Economic Policy: Supplementary Unemployment Budget"]

[Text] The most important goal of the economic policy is to ward off unemployment. The government parties were undisputedly unanimous on this point following parliamentary discussion of the government's economic policy report on Wednesday. Finance Minister Ahti Pekkala read the report on Tuesday. The report predicted that there would be over 180,000 unemployed next year.

SDP [Social Democratic Party] parliamentary delegation chairman Olli Helminen expressed his delegation's hope to the government that it would submit a special supplementary employment budget immediately at the start of the parliamentary fall session.

In the opinion of the Social Democrats, the best way to increase employment is to substantially curb inflation. The Social Democrats expect a slight reduction in interest rates from the Bank of Finland for the future fight against inflation.

Speaking of government borrowing needs, Helminen regretted the fact that it is difficult for the government to increase domestic borrowing because of Finnish money markets' failure to develop. The Social Democrats feel that the government and the Bank of Finland should create a new instrument for their money policy, which would be based on short-term reserves for the government to borrow against.

#### Fight Against Unemployment

The Center Party (KEPU) demands that the elimination of unemployment be stepped up as a common mission of national recovery in which all decisive factions and sectors of the society would be obliged to participate.

Speaking for his delegation, the party's parliamentary delegation chairman, Matti Ruokola, proposed that the elimination of unemployment come before everything else in next year's budget, in wage policy negotiations and in forming a new government after the elections.

All in all, Ruokola presented a 15-point list of ideas for eliminating unemployment in KEPU districts. The KEPU feels that the basis for this is a healthy economic policy which encourages business.

Ruokola said that a healthy economic policy is not needless expansion of the public administration, increasing the bureaucracy and creating artificial jobs, since the expenses they result in have to be collected through taxes.

The Social Democrats and the KEPU are of the same opinion regarding the government's chances of borrowing. The SDP's Helminen emphasized that there is still room for maneuvering but, according to Ruokola of the KEPU, there just are no chances of increasing borrowing.

#### Four-Point Work Program

SKDL [Finnish People's Democratic League] parliamentary delegation chairman Veikko Saarto proposed four ways of preventing the growth of unemployment and of reducing basic unemployment from its present level.

The SKDL parliamentary delegation's formulas are: increase social services, consent to using manpower at the expense of machines, shorten the number of working hours and lower the optional retirement age.

The government's economic report promised to curb any rise in the level of taxes. The SKDL, on the other hand, is ready to tighten up on taxation to develop the social services and create new jobs.

The SKDL would tighten up on taxation by imposing a special employment tax based on wealth on capital-rich big businesses, eliminating business turnover tax relief on industrial investments and tightening control over the taxing of people with high incomes and holders of large pieces of property.

Like the Social Democrats, the SKDL recommends reducing interest rates.

#### Unnecessary Routine

The economic policy report that has been issued for the third year in a row now is a parliamentary routine that seems to be completely unnecessary. This is how the RKP's [Swedish People's Party] Ingvar S. Melin curtly reacted to the report.

Melin said that he was fully satisfied that the information on the kind of economy portrayed in the report is a concession by the government to the leading opposition party. Melin added that, viewed from the standpoint of parliamentarianism, the report is unfounded.

He noted that it is the government's prerogative to preserve budget secrecy until the finished budget is submitted to Parliament. Melin said that presenting advance information on budget planning is alien to classical parliamentarianism. He reminded them that the opposition has the opportunity to discuss economic policy with the government, for example, by interpellation.

According to Melin, it is difficult to meet the opposition's demand to discuss budget policy, since there are still 5 months to complete the budget and they are in the middle of preparing it. Melin also suggested that a post-election government give up budget policy reports.

#### "Rewrite the Report"; Conservative Party Is Dissatisfied

The government report does not begin to satisfy the big opposition party, the Conservative Party. The Conservative Party's Pertti Salolainen said that, if according to parliamentary rules it were possible, the report would have been returned to be rewritten. Complaining, Salolainen, who expressed Conservative Party delegation views, claimed that the information level of the reports has declined year after year. Salolainen added that it must be said right out that the report just issued does not measure up to the demands placed on such a document.

Like the government parties, the Conservative Party also concentrated its attention on warding off unemployment. The Conservative Party too proposed that the government submit a special supplementary unemployment budget as soon as the beginning of fall.

In his speech, Salolainen also seized on the earlier promises of KEPU and Social Democrat leaders. He reminded them that last fall KEPU chairman Paavo Vayrynen called for a definitive agreement to permanently eliminate the remaining business turnover tax on investments in production in next year's budget discussion.

Salolainen also reminded Vayrynen of the surplus tax relief the KEPU marketed on condition that the KEPU would consent to an inadequate examination of inflation last fall.

Salolainen reminded Prime Minister Kalevi Sorsa of the interview in which, according to Sorsa, the government in session after the March 1979 elections was to take up the whole line of thinking on tax reform. Salolainen said that the Conservative Party had waited in vain for this overall tax reform.

The Christian League's Asser Stenback accused the government of hiding behind the recession and avoiding its responsibility.

He wondered how the government can boast that its economic policy has succeeded when it has failed to deal with unemployment and to stave off inflation. He recalled that in 1977 the goal of reducing unemployment to 2.5 percent was set. However, the government estimates that the rate will be 7.8 percent.

Stenback wondered at the fact that that same recovery program aimed for an inflation rate of 5 percent, but this year it will climb to 8.25 percent.

Urpo Leppanen of the SMP [Finnish Rural Party] is demanding tax reductions for low and middle-income wage-earners, selective lowering of interest rates on loans and a monthly subsidy of 2,500 marks payable to small and medium-sized businesses to employ one unemployed worker.

According to Anneli Kivistie of the KP [Liberal Party], the economic policy report is just as pointless as far as the budget is concerned. The LKP feels that very little about our major problem, unemployed young people, is dealt with in the report. Among other things, the LKP is demanding the immediate elimination of pension payments for young people.

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## MORE, SMALLER FOREIGN LOANS WOULD REDUCE DEFICIT IMPACT

Paris LE MONDE in French 28-29 Mar 82 p 16

[Article by Christopher Hughes: "The Proliferation of French Loans from Abroad"]

[Excerpts] Would it be better to raise large amounts of money through fewer transactions rather than through a great many? This is the question one might ask with regard to France. Since the beginning of the year, it, or more precisely French borrowers in the public sector, has raised more than \$3.5 billion (22 billion francs) from 8 bank Eurocredits and some 25 bond placements. The proliferation of these placements, made in nine different currencies ranging from the dollar to the yen and including the Swiss franc, the Deutschemark, the pound sterling and other more exotic currencies, is beginning to give cause for concern. This in fact amounts to an average of two international bond issues--which the French Government is doing its utmost to guarantee--every week during the first quarter of this year alone. Just like women who are seen too often on the arm of a different man, borrowers who are constantly soliciting the international financial community end up by growing tiresome and seeing their reputation tarnished.

The French capital market has always been too restricted. It is now proving itself more inadequate than ever to finance a growing budget deficit, among other things. Therefore everyone knows that this year France is going to have to borrow outside the country much more than in the past. The way things are going, it is already apparent that the limit of \$10 billion (more than 60 billion francs) in international loans could be the target for 1982. This amount, which represents twice the amount borrowed abroad in previous years, is nonetheless possible, provided an adequate strategy is devised.

When a country finds itself forced to borrow on foreign markets, it can either commit itself directly with its own signature or use its battalion of public entities. If its capital requirements are relatively modest, the second alternative is better, because in this way the government can avoid committing itself. However, if the amount to be raised is quite large, as is the case with France at present, the government may opt to participate directly through one or two enormous transactions of the sort that the Euromarket calls "jumbo."

In the present case, the French Government could immediately have found from \$2 billion to \$2.5 billion. Moreover, it would certainly have benefited from the best possible terms by getting there before other French borrowers. It could then have taken all the time it wanted to send all its troops to the frontlines of the Euromarket. As the months go by, these troops will undoubtedly find it increasingly difficult to obtain terms as advantageous as the original ones, both because of the frequency of their transactions and because of a growing doubt as to the creditworthiness of the French signature. They will therefore have to make the best possible use of the initial transactions. Another alternative, a variation on the theme of the first one, could have been to concentrate on a small number of loans, each for a relatively large amount--i.e., on the order of \$500 to \$600 million--contracted by the most prestigious agencies in the public sector, such as EDF [French Electric Power Company], Crédit National, Crédit Foncier or Gaz de France. In only four or five transactions, these establishments could also have raised \$2 to 2.5 billion without any difficulty, and on terms that were still attractive. To give just one example, it is a shame to see a signature as respected internationally as EDF's restrict its Eurobonds to \$100 million, as it had to do last week. It might be better to have left this to establishments such as regional development enterprises that are less well known.

Whatever alternative is chosen, the principle remains the same: the number of international loans should be limited as much as possible, while increasing considerably the amount of each one. A plethora of loans should be avoided at all costs, as it always results in discrediting the borrower and costing too much. The two that were made this week confirm this, as we will see later on.

The interest of the Eurobond market, however, has focused on the innovation introduced by a French borrower, the National Telecommunications Fund (CNT). In order to raise first \$400 million and then \$500 million, and maybe more in the long run, the CNT engaged in a transaction guaranteed by the French Government that appealed to both the Eurobond and the Euro-credit banking markets at the same time. The \$500 million are in two equal parts, both with the same maturity--i.e., 8 years--with one being made up of notes at variable rates and the other a loan. The notes will be issued in denominations of 100 and will be accompanied by a biannual rate of interest computed by adding a margin of 0.25 percent to the 6-month LIBOR rate. In addition, this bond issue includes a bank commission totaling 1.625 percent. The loan also has a 0.25 percent margin added to the LIBOR rate, but its commission is only 0.25 percent. The banks likely to participate in the transaction have been asked to take \$20 million each--10 million in notes and 10 million in the loan part. The return on the loan is obviously low. However, the yield on the notes is high. Since one offsets the other and the two parts are tied to each other, the average yield is about 0.54 percent a year for the lenders. The CNT transaction met with immediate success. People understand it. The yield, high for a risk such as France and for the banks concerned, can only increase as the banks sell to the public the notes that they initially subscribed. However, many see in this dichotomous presentation a type of camouflage designed to conceal the fact that France now has to pay more for its international borrowing, both because it borrows too often and because its economic and financial situation is the subject of increasing reservation.

## INDUSTRY STUDIES WAYS TO USE ELECTRICITY INSTEAD OF COAL

Paris L'USINE NOUVELLE in French 25 Mar 82 pp 71-73

[Article by Didier Dalem: "Electrical Conversion: Structures To Aid Industry"]

[Text] The penetration of electricity into industry could become a reality this time. After creating two commissions for GIMEE [Union of Electrical Equipment Material Industries], EDF [the French Electric Power Company] has taken the lead in a real crusade to improve financing and encourage innovation.

It was discussed at GIMEE's latest meeting: The planning commission is establishing a specialized committee, EDF's laboratories have been ready for several years and an effective penetration of electricity into industry is still being postponed until tomorrow.... However, everyone has something to gain by it: EDF, which, with the help of nuclear energy, has abundant and cheap electricity; the producers of electrical equipment, because of obvious new outlets; and potential users, who should receive less-expensive energy that is easily utilizable and can be used as a starting point for automation.

However, users will invest in electricity only on the basis of a tariff loudly demanded by the manufacturers, which guarantees a trend toward lower prices. EDF has lobbed the ball back to the administration, which alone controls the tariffs applied to the public sector. But the administration believes electricity that is too cheap would be a dangerous competitor for the recovery of coal.

The experts continue to be very optimistic, however, and predict that industry should consume 50 additional terawatts between now and 1990, of which 17 will be used for specific purposes (lighting, motor power, electrolysis) and 33 will be used in new applications (primarily thermal). This is a beautiful potential market for French manufacturers, especially since 85 percent of the equipment currently in use is imported.

Aware of what is at stake, GIMEE has recently created two new ad hoc divisions: "equipment and systems for the thermal application of

"electricity" and "industrial heating components." But EDF certainly seems to be leading the crusade--it is the initiator of all the specific structures designed to encourage the penetration of electricity into industry. It has therefore associated with different firms in order to cover all levels of possible contact, from marketing potential clients to furnishing sets of equipment and complete service, and including assistance to manufacturers by providing financing for innovation.

The manufacturers themselves realize that substituting electricity for fuel oil or coal requires innovation, which itself depends on the firms' financial capabilities. In order to remove this first obstacle, EDF has joined up with IDI (Institute for Industrial Development), on the one hand, and Sofinnova, on the other, in order to create two companies to finance innovations; these [companies] will specialize in equipment using electricity. IDI's company will be called Finovelec; Sofinnova's, Electrinova. The idea is to combine EDF's technological know-how with the financial planning ability of IDI and Sofinnova.

#### Develop Products Which Do Not Yet Have Competition

The two companies have an identical goal: to provide capital to firms; however, their means are not on the same scale. "With an initial capital of 10 million francs, which will be increased to 40 million in mid-1982, Finovelec will help medium-size or large firms," explained Jacques Bouchet, assistant general comptroller at EDF and president of Finovelec. The goal is to develop products which do not yet have any competition by even helping to establish innovative firms. Electrinova will concentrate on small firms and will provide funds of 300,000 to 3 million francs per firm.

Electrinova, established last September, is 2 months older than Finovelec, which first saw the light of day at the end of November. Its files are therefore further along. From 12 proposals, EDF's experts have chosen 3, and all that is being awaited is the approval of the board of directors before the identity of the lucky chosen ones is made known. At Finovelec the files are under study and the first assistance should take effect between now and summer.

This support for manufacturers, however, is not sufficient without assistance to potential users. In this area EDF has emphasized the weakest link in the chain: the lack of any real study and development of electrical projects able to provide a group of products and complete service ready for immediate use. From this observation has evolved the Industelec network, made up of one agency per economic region which acts as the sole representative to industrial candidates for electrical conversion. Industelec Champagne-Ardenne and Industelec Aquitaine, created last July, are the pioneers, pending expansion of the network to Lyon, Grenoble, Lille and Marseille.

Industelec's goal is ambitious, and so it must make a "wide sweep" and collect all interested firms. It has gathered together research departments, planning and development firms, manufacturers, installers, banks,

and, of course, EDF. It is too soon to learn any lessons from the two experiments now under way, but undoubtedly it will scarcely be easy to get such diverse types of firms to cooperate effectively within an informal structure.

The Industelec structure itself will remain very general. For example, EDF foresees dispatching to each regional branch two or three individuals who will form the basis of the staff. As for the others, they will enter directly into relations with their potential clients--with the risk of having each take more than its share.

#### A "Mr Electricity" in Five Regions

To complete the picture, marketing must be assured. EDF therefore approached the minister of research and technology to establish the Novelect network. The technological innovation advisers at the Department for Scientific and Technological Development of Innovation (DDSTI) of the ministry will don a new hat and become "traveling salesmen" for electricity. Their goal is to canvass industrialists and, with technical solutions and energy balance sheets in hand, "sell" them electrical conversion. Five regions already have their "Mr Electricity"--the Loire, Lorraine, Aquitaine, Champagne-Ardenne and Franche-Comte. If they succeed, further expansion should occur in the fall.

The French Electric Company is making sure that all of this is not too expensive. In fact, it involves hardly anything other than staff, in proportions that are extremely small in relation to its total workforce. The financing of innovation should be ensured primarily by the banks, which certainly intend to make a capital gain. Other than occasional aid from ANVAR [National Agency for the Valorization of Research] or from the Agency for Energy Savings, the largest portion of the financing of industrial investments should be handled by Sofergies (Companies for the Financing of Energy Savings).

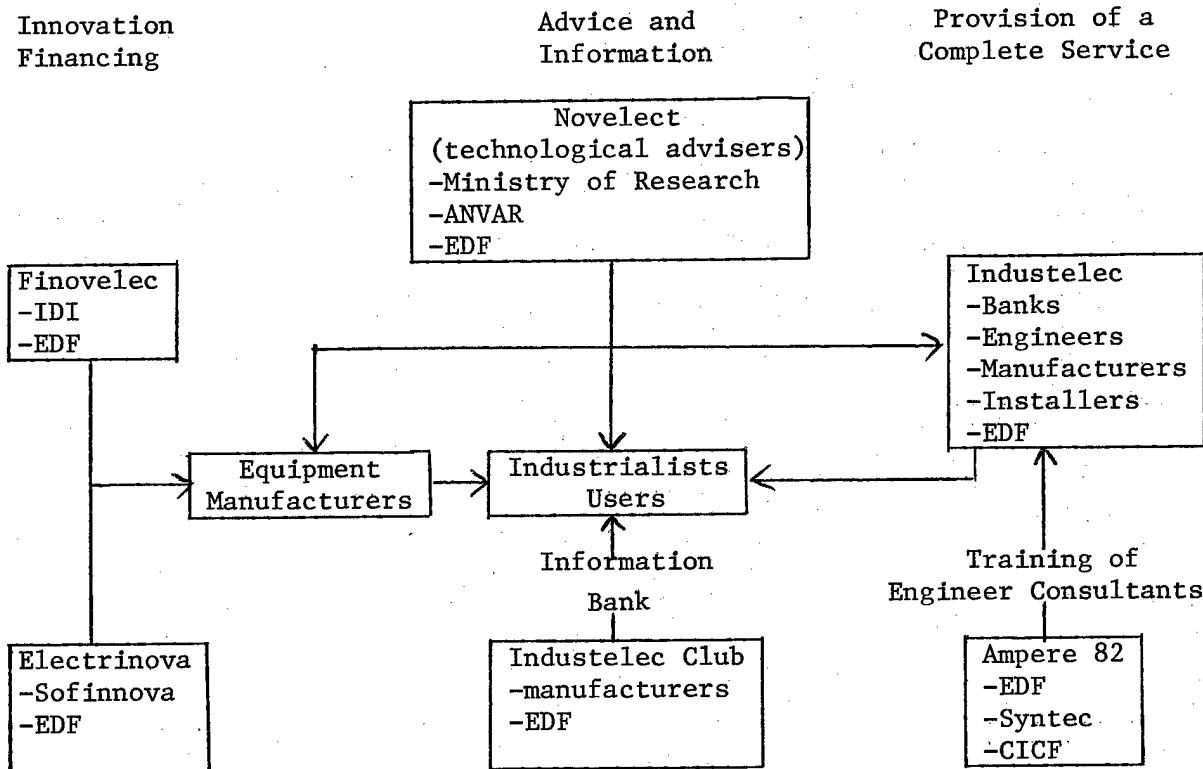
#### Foreign Manufacturers--Watch Out

Fifteen or so of these credit-leasing companies are already in operation, created, for example, by the Deposit Bank, by the French Coal Board, or by private banks. This year they should finance over 1 billion francs in investment, which includes only activities for saving or substituting energy. The primary service which will be given to the borrower is that the contractual agreements will not be based on the balance sheet--a very favorable method for companies that have already reached the limit of their borrowing capacity. If EDF serves as the moving force for the development of electrical usage in industry, then financing will come from elsewhere.

The different methods that were established less than a year ago do not, however, make for complete agreement. One large industrial firm in electrical construction, for example, continues to think that "a clever inventor, alone in his garage, can be just as effective as all of EDF put together." "Then the men in French electrical equipment construction should

begin," replies EDF's general management. "For already installed pilot establishments, foreign manufacturers are too often more competitive; in fact, they are the only ones to provide a particular piece of equipment." A dialogue of the deaf, in a passionate tone that undoubtedly is equal to the stakes at hand, which will be analyzed by L'USINE NOUVELLE in the weeks to come.

A facsimile of an EDF informational brochure for industrialists. Real "traveling salesmen" for electricity will be required to canvass the industrialists and, with technical solutions and energy balance sheets in hand, "sell" them electrical conversion.



#### Who Does What?

Before summer, two projects will be added to the financing companies, to Industelec and others, and to Novelect: Ampere 82, an economic interest group in charge of providing consulting engineers with better training in electrical techniques, and Industelec Club, a data bank which classifies all French manufacturers by type of equipment.

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## STATE-SUBSIDIZED MOTOR COMPANY TRANSFERRING OPERATIONS TO PRIVATE FIRM

Paris LE MONDE in French 1 Apr 82 p 31

[Article by Francois Renard: "Alsthom-Atlantique Is Transferring Its Production of Small and Medium-Sized Electric Motors to Leroy-Somer"]

[Text] "At the request and initiative of the public authorities," Alsthom-Atlantique, a 65-percent subsidiary of the recently nationalized company CGE [French General Electric Company], is going to transfer to the Leroy-Somer firm, the number one French producer of small- and medium-sized electric motors, all of its operations in this area. This transaction, which will be underwritten with state aid, will enable reorganization of the French low voltage electric motor industry to continue and will enable production to be centered in the most efficient firm. This industrial sector has been seriously affected by the fierce competition of East European countries.

It was a long time ago that Georges Chavanes, president of Leroy-Somer motors, fought with his back to the wall to increase the production of low voltage electrical motors, which have an immense market: handling, lifting, and heating equipment; generating sets; pumps; compressors; machine-tools; automatic devices; robots; air conditioning; and, strictly speaking, all of industry. His firm was born in 1967 from the merger between Leroy motors at Angouleme and the Rhone Mechanics Company (SOMER), two firms specializing in the production of electrical motors of small and medium power (from .5 to 500 hp). The company grew rapidly, especially with the 1972 purchase of Guinard Pumps, a firm that manufactured most of its motors in its own factory. Then it undertook, on its own scale, to reorganize the profession by buying up several small- and medium-sized firms to guarantee their operations by specializing them. The last transaction was the purchase in 1980 of the Patay firm (350 employees in the Lyon area), which had suffered heavy losses for 3 years and would otherwise have had to close. The same year, it concluded an agreement with Jeumont-Schneider whereby the latter would no longer produce motors of less than 500 hp.

Today, Leroy-Somer employs 8,000 people in 22 factories, including 5 in Angouleme and the surrounding countryside. Its sales volume is over 2.3 billion francs, of which 45 percent is exported, and it supplies 4 percent

of the European market. Along with the Japanese, it is the only firm that sells in the United States (15 percent of the North American market of elevator motors). With more than 1 million units produced per year, it provides 60 percent of the production of low- and medium-horsepower motors in France, more than the Electromechanical Company (30 percent), a subsidiary of the Swiss firm Brown-Boveri, and Alsthom-Atlantique (10 percent), a 65-percent subsidiary of CGE.

#### The Threat of Eastern Europe

For about 10 years, the French low voltage electrical motor industry has been in a critical situation because of the equipment crisis (starting in 1974), lowered demand, insufficient productivity investments and, especially the massive importing into Europe of mass-produced motors manufactured in Eastern Europe which are dumped on the market at prices that barely cover the cost of the raw materials. In 1980, CEMA countries had taken 50 percent of the market in the Netherlands, 35 percent in Italy, 20 percent in the FRG and 30 percent in France (250,000 motors), which caused a real collapse. In 10 years in Europe, employees in this sector went from 90,000 in 1970 to less than 50,000 in 1981, and in France from 20,000 to 13,000. In the Netherlands, domestic production of motors completely disappeared; in Belgium the only manufacturer, the Charleroi Shops, is going to stop production; in Italy, Bezzi (500 employees) has closed and Ercole Larelli (1,100 employees in the motor section) has filed for bankruptcy; in West Germany, AEG has stopped production at its principal factory in Esslinger, and Bauknecht is experiencing substantial losses in this speciality; in Great Britain, Bull Motors has closed and Newman is for sale. The industry has definitely suffered several disasters.

In France, Leroy-Somer is the only firm that is still making money in the electric motor industry, thanks to constant investments for improving productivity (machine finishing centers, flexible workshops, etc.), attempts to diversify (special motors, heat pumps) and exports. The Electromechanical Company has had deficits for years in its low voltage motor division (40 million francs out of a sales volume of 350 million in 1981). Alsthom-Atlantique is also losing money (25 percent on almost 140 million francs in sales volume at its Beaucourt factory near Belfort, despite an annual purchase of 60,000 motors in Poland, and 5 percent out of a sales volume of 140 million francs at the Orleans factory). Negotiations have been initiated between Leroy-Somer and these two firms, but nothing has come of them, at least as regards the Electromechanical Company, which is going to find itself quite alone now and would definitely like to sell this losing operation, perhaps in 1983.

At Alsthom-Atlantique, however, the arrival of a new president, Mr Desgeorges, in 1981 caused the reservations to be shelved, and, the last few months, the decision was made, at the administration's initiative (ministers of industry and finance) to transfer the two factories of Beaucourt and Orleans to Leroy-Somer, which will buy the inventory and take a 75-percent interest in the two firms created for this purpose; the rest will be kept by Alsthom-Atlantique. The latter will provide 95 million francs to make up for the losses foreseen over the next 2 years, with the state providing 85 million francs as a subsidy and participatory loan; Leroy-Somer's share will reach 85 million francs over the period 1982 to 1986.

On an industrial level this transaction will result in more efficient production by specializing each of the two transferred factories through an exchange of production with Leroy-Somer's Angouleme factories. The imports from Poland will be halted and necessary investments will be made to increase the productivity of the two factories in question to the level of Leroy-Somer (an increase of 300,000 francs in sales volume per year and per person vs. 140,000 to 150,000 for Alsthom and the Electromechanical Company). In addition, future expansion is definitely being considered.

On the social level, excess employees will be reduced over 5 years, without any firings, through preretirement and reduction of the worksheet to 35 hours between now and 1986. Overall, the Leroy-Somer firm definitely hopes, thanks to this concentration, to put France in a frontrunning position in the area of low voltage electric motors, remaining in competition in Europe only with Siemens (West Germany) and ASEA (Sweden), and hoping to become the number one world producer of alternators with 10 percent of the market. They would also like to ready themselves for the prospect of a future tangle with the Japanese, who are quite formidable with their very high productivity and who so far have virtually not touched European markets.

#### Symbolic and Exemplary

The transfer by Alsthom-Atlantique, a subsidiary of the nationalized firm CGE, of its production of small- and medium-sized electric motors to the Leroy-Somer firm is a symbolic and exemplary transaction, despite its relative importance (1,200 people and 300 million in sales volume). Done at the request and with the assistance of the public authorities, it will, first of all, speed up the reorganization and concentration in a key sector, that of low voltage electrical motors, which are used everywhere in industry but which are in a critical situation throughout Europe because of the fierce competition from the Soviet bloc.

Then, it is important to note that this is a very rare occurrence--the transfer of a deficit operation by a large firm, Alsthom-Atlantique (12 billion francs sales volume for power plants, locomotives, shipyards, motors), to a "small" one, Leroy-Somer, which, with its 2.3 billion francs in sales volume, has come to guarantee two-thirds of the French production of electric motors while at the same time managing to make money in an industry described as "in danger."

This transaction is also meaningful to the extent that, in this particular case, it shows the administration's willingness to not necessarily support the adverse activities of a firm that is nationalized or controlled by the state and even to favor its transfer to a private firm that is more efficient and profitable. It is one way to reply to the worries expressed recently by Mr Gattaz, president of the CNPF [National Council of French Employers], who feared that the firms in the state orbit would favor this own production at the expense of the private sector.

It should also be added that the transaction is a tribute to the qualities of Georges Chavanes, president-director general and real creator of Leroy-Somer, an owner "imbued with justice," a believer in factories in the country, who knew how to create within his firm a real climate of cooperation and participation while maintaining employment. As an example of this, the ratio between the salary of a worker and of the president is 1 to 6, which has always scandalized the CNPF.

ECONOMIC

FRANCE

FIRST ALGERIAN GAS SHIPMENT ARRIVES AT MONTOIR TERMINAL

Paris LE MATIN in French 6 Apr 82 p 20

[Article by Michel Alleno, correspondent in Lorient: "The First Effects of the French-Algerian Contract"]

[Text] The Montoir-de-Bretagne methane terminal, which is a part of the autonomous port of Nantes-Saint-Nazaire, recently received the Ramdane-Abane, a 126,000-cubic-meter Algerian methane tanker. This is an historical arrival, because it cements the agreements signed between France and Algeria in the area of energy. The largest methane terminal in Europe and the second in the world, Montoir was built to stock Algerian natural gas. This contract involves 5 billion cubic meters per year and is to expire in 20 years.

Pulled by three tugboats, the Hoedic, the Noirmoutier and the Houat, the Ramdane-Abane passed under the Saint-Nazaire bridge, a work of modern architecture that gives the countryside a surrealistic aspect. It elegantly approached the methane terminal where it would deposit over 120,000 cubic meters of natural gas from Algeria. The brand new Ramdane-Abane was built in the Saint-Nazaire shipyard and was delivered to the national Algerian navigation company last 3 January. It is 262 meters long, 42 meters wide, with a maximum draft of 13.3 meters.

Able to transport 126,000 cubic meters of liquified gas at -162°C, the Ramdane-Abane will now regularly travel between Algeria and Montoir with Mourade-Didouche, its sister ship, and two or three French methane tankers. This first trip is the cementing of the agreement signed between France and Algeria in the area of energy. This contract calls for delivery of 5 billion cubic meters of liquified gas per year to Montoir for a period of 20 years.

It was with this agreement in mind that the French Government made the decision in 1976 to build a methane terminal at Montoir. It is a gigantic project, part of an 8-billion-franc energy program for the lower Loire that includes the implementation of other projects, such as modernizing the Donges oil refinery and expanding the EDF [French Electric Company] thermal power plant at Cordemais.

It is not surprising, in these circumstances, that the authorities of the autonomous port were particularly worried about the evasiveness and the political problems that delayed the signing of the French-Algerian energy contract. Michel Bayle, director of port development, did not hide his relief after this deal was successfully concluded.

"It's not that we are going from extreme depression to extreme euphoria, but at least now we can make our facilities break even. It is not yet a question of profit--our preliminary budget is currently in the red. But the situation had become extremely critical before the natural gas arrived." It should be noted that along with the methane terminal, Montoir is building a coal and foodstuffs terminal, which explains the size of the investments and the expenses financed by the port treasury. Montoir, which was the third methane terminal built in France after the one in Le Havre in 1965, which receives 500,000,000 cubic meters of natural gas from Arzew, and the one in Fos in 1973, which receives 3.5 billion cubic meters from Skikda, will have 5.15 billion cubic meters passing through each year starting in 1983.

This natural gas is transported in liquid form in methane tankers, where it is kept liquid at a temperature of -162 C. In this state it takes up 600 times less volume than as a gas. It is stored in the new refinery at Bethoua in Algeria and is loaded at Arzew for Montoir, where two piers of 200 to 240 meters are ready to receive the ships. Four stainless steel cranes then are ready to unload the gas into the terminal's tanks. These tanks, of which there are three altogether, each have a capacity of 820,000 cubic meters and measure 55 meters high and 65 meters in diameter.

A regasification factory, which uses two types of regasifying equipment, is planned for the terminal. The first type uses running water from the Loire to heat the gas; the second consists of an independent apparatus using gas heat and treats 84,000 cubic meters per hour, whereas the first type treats 1 million cubic meters per hour. To finish the description of this plant, two flares where the pilot lights are located must be mentioned. One is directly connected to the piers reserved for the evaporation of gas coming from certain ships; the other is supplied by evaporation from the terminal, which is estimated to be 3,000 cubic meters per hour. The control tower reigns over the 58 hectares of this terminal, which is a leading force in the economy of the entire lower Loire region.

Although as far as employment goes the operation does not call for a large staff--75 in all, and very specialized types--there has been much talk about possibly capturing the negative calories that are released during regasification. These lost calories are plentiful and inexpensive and could encourage food industry firms to come to the region. "Several projects have been discussed," emphasized Michel Bayle. "But to plan something seriously we had to wait for the natural gas to arrive. In addition, bringing in frozen food companies is dependent on many other economic factors." However, this is still a serious hope for the future.

Especially so because EDF intends to build a mini-power plant to supply the energy needs of the methane terminal. The turbine will use water from the

Loire as a heat source and the lost calories as a cooling source. This thermo-dynamic power plant would also be a world first.

The methane terminal, however, is only one element in the Montoir complex, to which is now being added a terminal for various goods and containers on a 3-acre plot, a food terminal on 2 acres and a coal terminal that will be operational in 1983. All of these projects are being asked to play a decisive role in the economy of the great west, because Montoir, without suffocating the other ports--Lorient and Brest--would like to work in conjunction with them. It is the only port with such complete facilities, since it has both energy and food terminals.

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CSO: 3100/588

ECONOMIC

FRANCE

BRIEFS

AID TO SHIPYARDS--Fifty thousand francs per employee is the staggering sum of public assistance being given to French shipyards. With 1 billion francs in assistance for a sector that employs barely 20,000 individuals, France in 1981 was sixth in the world ranking of shipbuilders, a prohibitively expensive achievement. But not one country has escaped the necessity of assisting its shipyards. Lloyds Register of Shipping's latest statistics on the total volume of completed ships shows that South Korea has made great strides and is now the second producer in the world after Japan, and in front of Spain (which climbed from seventh place to third). The FRG, France and Denmark are improving.  
[Text] [Paris LE NOUVEL ECONOMISTE in French 12 Apr 82 p 65] 9720

MANGANESE FROM GABON--To protect itself against the risks of dependency on South Africa and the Soviet Union, who control over 80 percent of world manganese resources, France has allied itself with Gabon. The BRGM [Bureau of Geological and Mining Exploration], under the presidency of Jean Audibert, and the Gabonese state recently acquired control of the Ferromanganese Company of Paris-Outreau (SFPO) Steelworks, which has lately been threatened with bankruptcy. The SFPO (sales volume of 65 million francs in 1981), in which the BRGM now has a 35-percent interest and two state Gabonese companies have a 55-percent interest, is the number one world producer of ferromanganese (350,000 tons per year), which is used to deoxidize steel. Because of this reorganization, the Boulogne-sur-Mer factory, which is supplied primarily by Gabonese ore, can be improved. [Text] [Paris LE NOUVEL ECONOMISTE in French 12 Apr 82 p 65] 9720

CSO: 3100/587

## STUDY ON EMPLOYMENT TRENDS UNTIL 1990: LOSSES IN KEY SECTORS

Stockholm DAGENS NYHETER in Swedish 7 May 82 p 8

[Article by Kerstin Kall]

[Text] The number of jobs in forestry, mining, and the steel industry is going to drop by about 1 percent per year. This means that by 1990, there will be a drop in employment affecting nearly 20,000 persons in those traditional export industries.

That is the prediction contained in a report prepared for the National Industrial Board by the Temaplan Corporation. The report, which is entitled "Where Will the Crisis Be?", provides various scenarios in an attempt to present the politicians with a picture of how various industries and regions will fare during the coming decade.

A sizable share of the employment in Swedish industry is now found in industries that are unable to pay wages and thus lack competitiveness on the labor market, according to the report's authors. The allowances to cover losses that are now being provided cannot continue throughout the 1980's.

The report says: "The accumulated need for shutdowns is so great that even maintaining the present level of real wages unchanged would require a large volume of investment to reestablish an economically sound industrial structure for the long term."

Among the country's regions, southern Sweden (Blekinge, Kristianstad, and Malmohus Counties) are in a good starting position for the 1980's. Southern Sweden has the lowest number of people employed in money-losing firms.

It is primarily the food and chemical industries which contribute to southern Sweden's favorable structure.

#### Steel in Worst Position

Western Sweden (Halland, Goteborg och Bohus, Alvsborg, and Skaraborg Counties) is in second place when it comes to low losses among the firms. There it is the transportation industry (with the exception of shipbuilding) which contributes to the good starting position.

Central Sweden (Varmland, Orebro, Vastmanland, Kopparberg, and Gavleborg Counties) definitely has the poorest prospects for the 1980's. Nearly one-fifth of the region's employment is provided by money-losing firms. It is chiefly the steel industry which is giving central Sweden problems.

The report's authors say: "Unless we assume that steel prices will be dramatically better than in the 1970's, it will even be difficult to maintain the present production level in the Swedish steel industry during the 1980's," and they feel that a decline is probable.

Southeastern Sweden (Jonkoping, Kronoberg, Kalmar, and Gotland Counties) has a relatively low number of people employed in money-losing firms. But a very large portion of the manpower is employed in units whose productivity is only from 5 to 10 percent higher than labor costs. A latent danger of shutdowns therefore exists.

Northern Sweden (Vasternorrland, Jamtland, Vasterbotten, and Norrbotten Counties) also has a lot of jobs in money-losing firms. But the forest industry puts northern Sweden in a favorable position, even though some branches of that industry are losing money.

Of the various industries, the engineering industry is expected to experience increased employment in all the scenarios examined. At least 70,000 jobs will be lost, but between 100,000 and 140,000 new jobs will be created in their place.

The transportation industry will add from 35,000 to 40,000 new or regenerated jobs. The metal industry is expected to add between 10,000 and 20,000 new or regenerated jobs. It is predicted that the machine industry will lose 50,000 jobs and gain 70,000 new ones.

11798  
CSO: 3109/157

## PERILS, FEARS IN DIKO-AKEL ALLIANCE POINTED OUT

Paris LE MONDE in French 22 May 82 p 4

[Article by Bernard Brigouleix]

[Text] Nicosia--Something is changing in Cyprus. Something that is not, or at least not yet, the nature of the political regime or the situation created by the Turkish invasion and the occupation of the northern zone, but which is--already--the climate in which the island's political life is taking place.

Since independence in 1960, Cyprus has lived as a Western democracy. Of course, numerous factors were contributing toward limiting the influence of this fundamental tie. The eminently personal character of Makarios' government, the very presidentialist style of his successor, Mr Spyros Kyprianou, the presence of foreign troops (British, Turkish, Greek and those serving under the UN flag), the choice of non-alignment, Nicosia's eastern affinities made of Cyprus a European republic apart. However, generally speaking, a degree of parliamentary democracy seemed to have become implanted, more or less inspired by the former British colonizers.

An evolution has been taking place during recent months which is causing an increasing malaise in the most diverse circles. This evolution has a cause: Kyprianou's fear--which has become a veritable obsession--not to win election. It has two principal aspects: the mobilization of the state apparatus to the advantage of the candidate and the increasingly closer association between a communist party as powerful as it is pro-Soviet and a rightist president.

To say that Kyprianou is concerned about his reelection in December or January is a genuine understatement. This concern--which is, after all, quite legitimate in a democratic regime--is leading him, according to his adversaries, to confusing his styles more and more. Thus one never knows if it is the president or the candidate who is talking, not to say the party leader.

This is a party which was roundly defeated at the last elections, garnering less than 20 percent of the vote (as against nearly 33 percent for the communist party and just a shade less for Cliridis' rightist party). In

order to get to the top, the chief of state is crisscrossing the country, multiplying his public appearances, participating in meetings; all of this would not be too serious if he were not also resorting to pressuring the media.

Surrounded by a court that the most brilliant have successively deserted, personally seeing to it that only the "surest" elements are promoted in the administration, continually making his cabinet intervene in order to distribute praise or criticism, orders and counter-orders on radio and television, he seems to have discouraged, in recent months, even those better disposed toward him. As for the others, he has thrown them into an opposition that, by now, has a feeling of being up against the wall and which has received support that, for the time being, remains rather discreet, but is reputedly quite significant.

This attitude annoys the Cypriot political class all the more because the president's personal attributes are not generally of the kind that would allow him to pretend to the position of a charismatic leader.

The lavish orchestration given to his least significant statements is not enough to give the "palace" talk the hoped-for resonance, especially when it is addressed to foreign audiences. Nicosia society is overflowing with unflattering anecdotes in this respect, as well as equally disadvantageous comparisons, notably with practices in Eastern-bloc countries or a goodly section of the third world.

As for the alliance with the AKEL communists, consecrated by the recent government reshuffle, it is taking astonishing turns. Of course, the neutrality--mostly benign--shown by the Cypriot communists to Kyprianou for a long time ensures the survival of this surprisingly minoritarian government. But the revelation that a veritable common program--or, to use the local terminology--a "minimum program"--had been signed between the president's democratic party and the communist party created a general roar. All the more so because this agreement envisions the creation of a sort of supervisory committee in charge of controlling the implementation of the program and superseding the authority of the government and the Parliament.

The program's provisions are curiously guiltless in the field in which one would normally expect the communists to demand the most concessions from their partner on the right: economic and social policy. But this is precisely what is worrying a good number of observers. Obviously, in exchange for the continued approval granted Kyprianou, the AKEL leaders have extracted from the president some "gifts" they consider more important: for instance, the development of good relations with socialist countries and a rallying to the Soviet proposal about convoking an international conference on Cyprus. Kyprianou is reportedly favoring today the withdrawal of all foreign troops and the demilitarization of the island as Moscow is demanding, something that would notably entail a denunciation of the tripartite "treaty of guarantee" and the closing down of

British bases which could be used by the United States. Moreover, the "minimum program" envisions the rapprochement of the two Cypriot communities in terms so kind to the Turkish side that they are eliciting this remark from caustic spirits: it is better to be an invader than an opponent!

Can one go as far as to say--as the opponents of this "minimum program" are bitterly doing--that this affair illustrates the fact that the great powers are increasingly intervening in Cypriot domestic policies? At any rate, it seems that certain Eastern-bloc embassies (particularly those of the USSR and Bulgaria) used their good offices to bring about a rapprochement between the points of view of the "palace" and the communist party, and that the U.S. secret services, for their part, are taking seriously the threat that would have Nicosia adopt Cuban-style concepts in matters of non-alignment if Kyprianou would get elected thanks to the communist vote. Considering the high stakes in the struggles for diplomatic influence in the Mediterranean, one could at least pose the question; especially after reading PRAVDA's heavy praise of the wisdom in this agreement between the president and the AKEL.

However, this is also an agreement that has brought about a resounding fallout between Kyprianou and Papandreu. Even more than the contents of the program (in spite of the fact that the analysis of the Cypriot question therein developed contradicts almost all of Athens' options), it is both the obligation incurred vis-a-vis the communists and the establishment of a political directorate devoid of any constitutionality and juridical responsibility that provoked the ire of the Greek prime minister. Indeed, the quarrel between the Cypriot communist party and Papandreu is old and runs deep. It is not at a time when, in Athens, relations between Papandreu and the Greek communists are again tense, that the former is liable to forget the insults--indeed the word is not too harsh--hurled at him by the AKEL not so long ago...

His fallout with Papandreu is not going to make things easier for Kyprianou, even if he would go to great lengths to attenuate its consequences or even to deny its existence. In the small capital of a small country where everything becomes known very quickly, rumors have not been long in producing their ravages; all the more so because, socialist affinities with the PASOK and its leader or not, the photo with Papandreu and the protestations of friendship toward the Athens government remain, for most of the leaders of the island's free zone, a sort of political obligation: a very short time ago, the Greek prime minister had been received like a hero by hundreds of thousands of Cypriots. The echo of some particularly stormy telephone conversations between the two men is still being heard from Paphos to Larnaca, from Nicosia to Limassol...

By attempting to inject a new electoral factor into the situation, President Kyprianou may well have triggered a succession of events whose risks he may not have clearly perceived, and particularly vis-a-vis Athens... And yet, this is probably the most apparent aspect of a much more complex game.

CSO: 4619/109

POLITICAL

CYPRUS

LIST OF FOREIGN DELEGATES TO FORTHCOMING AKEL CONGRESS

Initial List

Nicosia KHARAVGI in Greek 8 May 82 p 1

[Text] The 15th Congress of the AKEL party will be a significant political event for Cyprus and for its anti-imperialistic struggle. The congress will take place in Nicosia next week, on 13, 14, 15 and 16 May. Present at the congress will be many delegations from communist and labor parties headed by important personalities of the international communist and labor movement.

The AKEL Central Committee issued yesterday the following list of foreign delegations that will attend the congress:

A delegation from the Soviet Union headed by CPSU Central Committee member and first secretary of the Moldavian Communist Party Semen Kuz'mich Grossu.

A four-member delegation from Greece headed by Greek Communist Party secretary general Kharilaos Florakis.

A four-member delegation from Turkey headed by Turkish Communist Party secretary general I. Bilen.

A delegation from Czechoslovakia headed by the member of the Czech Communist Party Presidium and first secretary of the Slovakia Communist Party, Yosef Lenart.

A delegation from the GDR headed by the provisional member of the SED Politbureau and first secretary of Cottbus Province, Werner Walde.

A delegation from the Hungarian People's Republic headed by Central Committee member and former Prime Minister Jeno Fock.

A delegation from the Polish People's Republic headed by Central Committee member and first secretary Rzeszow Province Franciszek Karp.

A delegation from the People's Republic of Bulgaria headed by Central Committee member and first secretary of the city of Sofia Chudomir Aleksandrov.

A delegation from the Socialist Federal Republic of Yugoslavia headed by Central Committee member and chairman of the Slovenian Party Organization Franc Popit.

A delegation from socialist Cuba headed by Central Committee member and first secretary of Cienfuegos Province Humberto Miguel Fernandez.

#### Additional Delegations

Nicosia KHARAVGI in Greek 9 May 82 p 1

[Text] Following yesterday's announcement regarding the participation of foreign delegations to the 15th AKEL Congress, the party's general secretariat has announced the participation of the following additional delegations:

A delegation from the PLO headed by Zakariyya Abd-al-Rahim, in charge of European political affairs.

A delegation from the Baath party of Syria headed by Dr Hafiz Nariman.

A delegation from Vietnam headed by Central Committee member and ambassador to Bulgaria Le Quang Hiep.

A delegation from the British Communist Party headed by Garry Pocock, in charge of international relations.

A member of the Central Committee of the Communist Party of Egypt.

A member of the German Communist Party Presidium, Rolf Primer.

A member of the Central Committee of the Indian Communist Party, Sharat Mitra.

A member of the Central Committee of the Czech Communist Party and member of the staff of the INTERNATIONAL MARXIST REVIEW, Pavel Auersperg.

A member of the Central Committee of the Syrian Communist Party, Dr Nabih Rusiyaydat.

A member of the Communist Party of Israel, Shalom Shmu'el.

A delegation from the Chilean Communist Party headed by a member of the Central Committee.

Confirmation of the participation of several additional delegations from various continents is still awaited.

CSO: 4621/361

POLITICAL

FEDERAL REPUBLIC OF GERMANY

DREGGER VIEWS SITUATION IN HESSE, COALITION WITH FDP

Views Election Issues

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 15 May 82 p 5

[Article by Bernd Erich Heptner]

[Text] Alfred Dregger, it would seem, has no reason for giving the FDP in Hesse any breaks. Twice now, in 1974 and again in 1978, the Hesse CDU chairman was willing to form a coalition with the Free Democrats. Yet both times they scorned his offer--made by the strongest party of the Landtag at Wiesbaden--and preferred instead to stay in power with the SPD that has formed the government for more than 3 decades. The SPD and FDP "losers"--losers because the SPD had lost its absolute majority as long ago as 1970 and the FDP, once, in the immediate post-war years, a 30-percent party, because it has been slipping dangerously close to the 5-percent limit necessary to be represented in the Landtag.

Nonetheless, Dregger, who has led the CDU since the end of 1967 from 26.4 percent to a near absolute majority, is treating the FDP with kid gloves. In one interview with this paper he remarked of the Liberals, without the least hint of irony, that they were an "important political force" and would continue to be even if they should fail to gain enough votes to be seated in the Landtag. Dregger is able to find a good word for many an FDP political figure in Hesse. He does not rule out a coalition with the FDP; in fact, he sees it as something almost necessary, since the two parties are in agreement on many important issues. The CDU chairman, when speaking of what separates the two parties, expresses considerable sympathy, since the two potential parties must, in the long run, be able to maintain their own profiles. This is why Dregger looks upon the "Left-liberals" in the FDP, such as Baum and Gries, as important and necessary in any eventual alliance with the CDU.

If the CDU chairman is generous in his judgement of the FDP in Hesse, he does so not simply from disinterested good will, but from political considerations. These, however, have little to do with the fact that the FDP will be holding its coalition party congress on 17 June and the CDU is not looking to make the Free Democrats choice to move "away from the SPD" any harder for them than it already is. Dregger is convinced "that we are entering a phase in German politics, in which confrontation is harmful and cooperation necessary."

His attitude toward the FDP is simply an example of what he understands by the willingness to cooperate.

Another example of such he sees as educational policy. If the CDU were able to form a government in Wiesbaden this fall, it would, in his words, not look to turn everything upside down but instead "to help and to heal." Dregger would like to see "cooperation in partnership" of all parties affected in educational policy; the confrontation between the ministry of education and those groups representing parents of school-aged children, which have been at odds for years, would finally be concluded, as would also the "cultural revolution against the will of those affected," which has been undertaken by the SPD.

The motto of the CDU chairman is "Freedom Instead of Compulsion" and "Variety Instead of Uniformity." He would like to see an educational system in which neither the modern secondary school nor the intermediate promotion stage were required. To quote Dregger, "I am not going to force anything on anyone," A political party does not have the right to impose its concept of education on others. Repeatedly the CDU leader stressed, "Our position is liberal."

It is important to the CDU chairman that the educational system be supportive of all groups; not simply those on the "margin," but also the gifted and the less highly gifted. Those who are highly gifted must once again have the opportunity, even in the present mass universities, to achieve peak performance free of the ballast of administrative bureaucracy. "Only when the highly gifted are achieving exceptional performance, can the less gifted be able to lead a life with greater dignity."

Dregger is aware that no concept of government can be based solely upon the principle of "each according to his fancy"; that the satisfaction of the wishes of varied groups cannot serve as a guideline for politics. The CDU has to tell in its own words, what it is that it wants; and it must then "strive to convince as many citizens as possible to support it." This Dregger sees as "the most important leadership task" laid down for him. He believes that he can only achieve this if he is not "the representative of ideological party interests," but rather the "advocate of the general good of all." He regards as necessary a "new form of interaction" with the individual citizen, with different groups within the society and with citizens initiatives: to be open, willing to explain one's own position and to appeal for support. Dregger feels that he would be more sensitive in dealing with the people than the present minister-president, Boerner. In addition, he feels he can rely on the "transmission belt" of his party. A solid CDU would be a great help in winning the support of the public for specific programs. A party such as the SPD in Hesse, which is divided within its own ranks and only willing to give its support to its chairman's policies on the threat of his resignation, would be the worst possible political partner.

Dregger is fully aware that there will always be resistance and demonstrations, for example, against such undertakings as a nuclear recycling plant, regardless of which party were in office. Yet a Land government must, from the outset, take account of the fears and anxieties evoked by such a project. It is not

responsible, as is the case now in Hesse, to alarm the population unnecessarily by making tests for two such nuclear installations without being certain whether such a project would be built at all. Dregger questioned whether Boerner has any feeling for the reaction that such an action would provoke. He said, "It's not our job to assure the future through the use of nuclear energy, we are also here to serve as advocates for those people who are affected by it; we have also got to make their interests heard."

It is evident that the CDU chairman is at pains not to give new substance to those cliches that had been propounded by him for years and for which he was only partly responsible; these were also determined by the former minority position of the Hesse CDU, which had to fight painfully and shrilly to make itself felt and heard. If the CDU chief is now trying hard to change his image into the liberal, sympathetic and cooperative Dregger, which he may even be, this sometimes is accompanied by a degree of uncertainty and exaggeration. Thus, for example, Dregger maintains with full conviction, "Boerner stands further to the right than I do," while in the same breath accusing the minister-president of a socialist make-work employment policy.

The impression could be taken that Dregger is as much at odds with himself as Boerner is with his party. This may be why the CDU chairman does not like to talk about the minister-president, who, he says, "is in many respects an honorable man" and would rather talk about the Hesse SPD and FDP and their manifold political differences, especially in such areas, so important for the present and the near future, as economic and energy policy. Dregger is firmly convinced that the alliance in Wiesbaden has lost its basis. "The time is ripe and the bill is overdue."

#### On Coalition With FDP

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 17 May 82 p 5

[Text] Hesse's CDU chairman Dregger, who several weeks ago offered the FDP the opportunity to participate in the government in the event that the CDU should attain an absolute majority in this fall's Landtag elections, this weekend clarified his position toward the DDP. At the CDU Land party congress in Nieder-Florstadt, Dregger stated that if the FDP, at its coalition party congress on 17 June, should again resolve to maintain an alliance with the SPD and thereby "once again try to prevent a democratic change in Hesse or, if it should seek to support such a change only in the event that the majority proportions in the Landtag do not allow a government to be formed in any other way--which of course would not be satisfactory to us--then the FDP will be our opponent in the election campaign."

In his remarks Dregger was reacting to the harsh rejection that the Christian Democrats recently had to swallow at the hands of the Free Democrats: the chairman of the Hesse FDP, Gries, had declined Dregger's offer as "embarrassing and unreal" and the Frankfurt FDP had also brushed aside the offer of the CDU in Frankfurt, which governs that city with an absolute majority, to nominate a full-time member of the city council.

In Dregger's opinion a new situation has arisen for the FDP as a result of developments within the SPD. The SPD has since come under the influence of Marxist ideologues and shifted from the positions outlined in its Godesberg program and returned to its older position calling for a greater degree of central planning in the economy. As was evident at the Munich party congress, the SPD is placing its bets on "more government, more taxes, more bureaucracy, on recipes that everywhere in the world have lead to mistakes and nowhere can show success." If the FDP wants to remain genuinely liberal or wants to restore its liberal profile, then, according to the CDU chairman, it must cut itself off from the SPD.

Dregger reiterated his willingness to cooperate with the FDP, justifying this by saying that he was concerned to create "points of departure for the 1980's." The most important task was the restoration of full employment, which could only be attained by a consistent policy of socially equitable, market-oriented economics. If the FDP chose to share in such a policy, it "was welcome; if not, then it would have to find its own position." In Dregger's words, "everyone knows that our willingness to cooperate does not arise from a position of weakness."

Not only the CDU chairman, but also the approximately 450 delegates at Nieder-Florstadt were optimistic that the CDU would gain a majority in this fall's elections in Hesse. Dregger, as was expected, was elected to first position on the Land list by an overwhelming majority. He received 449 of the 452 votes cast, making him the CDU candidate for minister-president for the fourth time in the election to be held on 26 September. The next two positions on the Land list were taken by the CDU Landtag floor leader, Milde, and the CDU secretary general, Kanther; they received respectively 448 and 444 votes.

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CSO: 3103/475

## EPPLER LOSES SEAT ON SPD PRESIDIUM

Hamburg DER SPIEGEL in German 31 May 82 pp29-30

/Unattributed article: "How, Who and Where" /

Text/ Party leftwinger Erhard Eppler lost his seat on the SPD presidium—despite support from friends on the right wing of the party.

Chancellor Helmut Schmidt seemed a happy man as he left the SPD presidium meeting held at Erich-Ollenhauer-Haus in Bonn on Monday before Whitsun. Inside, in the large meeting hall, everything had gone as he had hoped: Erhard Eppler, his long-time closest enemy and the bellwether of the left, had been removed from the presidium by secret ballot after having been a member of it for 9 years. "I didn't pay any attention to it," was Schmidt's cool comment. "I had to concentrate on running the country."

When asked by DER SPIEGEL whether he was not worried that Eppler's removal might affect those voters in Hamburg and Hesse adversely who were still undecided between the SPD and the Alternatives, the chancellor said one could not pick the members of a party presidium "on the basis of who has the most appeal where." Schmidt then added: "Looking at it in a more general way, I guess I have the greatest appeal though perhaps not among those voters."

Who knows—perhaps "those voters" will tip the balance at the "election of destiny" in Hamburg on 6 June, as Hans-Dietrich Genscher has called it. Variations of one-half percent could be decisive for the SPD and the CDU total vote. Prior to the presidium vote, leading rightwingers came out in support of the leftwing symbol for fear that young "Eppler voters" belonging to the ecology and peace movements might otherwise stay home in the Hamburg election as well as in the one scheduled for Hesse in September. Defense Minister Apel, for one, rallied to Eppler's support.

In Hesse, opponents of the West runway and of large atomic installations have been giving the socialist-liberal coalition in Wiesbaden lots of trouble for months; but Minister President Holger Boerner and former Defense Minister Georg Leber were among the Hessian delegates who spoke up for Eppler, an avowed foe of nuclear power and NATO. "I doubt that Eppler would ever have voted for me," Boerner said, "but I think it would be better for the party, if he stayed on the presidium."

Willy Brandt, too, had come out for Eppler. He was not so much concerned about a possible loss of votes in Hamburg or Hesse but about the future. If the SPD was to get back on its feet following a change of government, it would have to try to win back the voters who have gone over to the Alternatives and Greens. In such an eventuality, Eppler would have a key role to play.

Brandt therefore made careful inquiries as to whether disarmament expert Egon Bahr was thinking of running and he also tried to keep Hans-Juergen Wischnewski, his former deputy who has just recently been ordered back to the chancellor's office, from throwing his hat in the ring. As chancellor's deputy, he was to be guaranteed a seat on the presidium even without being elected to it.

But Brandt's interventions were to no avail, nor was an appeal to party treasurer Friedrich Halstenberg to agree to being co-opted but not elected to the presidium. No one was prepared to give up his seat. The presidium majority stayed with Schmidt and could not be swayed by tactical maneuvers.

An added problem was that no less than four of Eppler's friends were absent. Oskar Lafontaine and Klaus Matthiesen, the two leftwingers as well as Bremen mayor Hans Koschnick were out of the country and Hamburg's lord mayor Klaus von Dohnanyi was in the midst of his election campaign. Their absence therefore facilitated "this improper decision which served to damage the integration victory scored at the Munich party congress," as presidium member Harry Ristock put it.

The SPD dissident himself was an easy mark for his opponents in any event. Agreement with Eppler's arguments rarely signified solidarity with the man himself on the part of many social democrats.

Ever since the Baden-Wuerttemberg election defeat in March 1980 Eppler has been increasingly isolated inside the SPD. The inexorability which characterizes his critiques is hard to take for many party members, since they sense an elitist undercurrent in it—namely his conviction that he alone is in tune with the objective course of history.

This certainty induced Eppler to make scenes in meetings of the executive committee and the presidium which rivaled the self-righteous stands assumed by his antagonist, Helmut Schmidt. For another thing, his ascetic life style rubs many party members the wrong way. "The boy with the sad eyes and the draped lower jaw," was what North Rhine-Westphalian lands minister Hans Otto Baumer has called him. Even Willy Brandt feigned an air of distress as he told of a visit to the Epplers in Dornstetten where he was served tea instead of wine to go with some Swabian pastries.

But the fact that Eppler will not make allowances for the tactical constraints imposed on a party in power in his speeches increases his credibility among young voters. But among the party faithful there was more and more doubt as to whether Eppler's complete loyalty still was with the party. Leftwing social democrats, too, are beginning to say that Eppler, in his heart, has already broken with the SPD.

Deputy fraction chairman Horst Ehmke, for example, who regularly argues it out with Eppler in the executive committee and the leftwing Frankfurt Circle says: "He does not represent the SPD but the peace movement inside the SPD."

When the leftwing executive committee members met in Bonn on the Sunday prior to the presidium vote, Transportation Minister Volker Hauff and economic expert Wolfgang Roth asked Eppler to tell them outright whether he belonged to the SPD or to the peace movement.

For Eppler himself, his inexorable decline in the party hierarchy was by no means surprising. 6 months ago, he already decided on his own not to seek his seat again—but the chancellor talked him out of it.

At the time, Schmidt had complained that he could no longer speak openly in Eppler's presence. "That makes me look like a security risk," Eppler said then. "If I had gone through with my decision, it would have seemed as though the charge was true."

When Brandt asked him about his plans a week ago last Thursday, Eppler told him that though his post at the head of the Evangelical lay conference and his seat on the SPD basic values commission were more important to him than the seat on the presidium, he would contest it anyway. "There is nothing else I can do," he said.

Now that he has lost his seat, he will work even harder on getting the SPD to turn down the stationing of American medium-range missiles in the FRG in the fall of 1983 once and for all.

Eppler has his eye on the post-Schmidt era. He is convinced "that we cannot govern without those voter groups which take their cue from me." In this sense, he says, his removal from the presidium is "not really detrimental to his chances of being elected again at the next party congress."

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CSO: 3103/494

## SCHLESWIG-HOLSTEIN SPD CHOOSES ENGHOLM TO HEAD TICKET

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 18 May 82 p 4

[Text] Schleswig Holstein's Social Democrats intend to enter the Landtag elections, to be held on 13 March 1983, with Federal Minister of Education Engholm as their top candidate to challenge the CDU headed by Minister-President Stoltenberg. The SPD Land executive council unanimously nominated Engholm in a closed session. His nomination was made by Land party chairman Jansen and by the SPD floor leader in the Landtag, Matthiesen, who, because differences with the Federal Government on the issue of energy policy, declined the nomination for himself.

Jensen said yesterday that Engholm was the SPD's candidate of choice, as he knew from several conferences. Engholm was a clear alternative to Stoltenberg, who had "in 12 years in office distanced himself further and further from the citizens." The SPD land executive also resolved that an election platform would be worked out, with Engholm's participation, by this fall. A party congress in October would make the final decision on the platform and candidacy.

Engholm will take part in the Landtag election while continuing to serve as minister of education and member of the Bundestag. This, said Jansen, was taken into account by the party's executive council. In the event that, against their expectations, the SPD should lose the Landtag election, then the executive council was fully agreed that in such a case, Engholm should resume his activity in Bonn and not become leader of the opposition in the Landtag at Kiel.

Engholm had already made it known indirectly that he sought a coalition with the Free Democrats and with the Danish minority who, being exempt from the five-percent clause, have at the moment one seat in the Landtag. He expressed his willingness to cooperate with both these parties. The Greens, on the other hand, were not his "partners of choice." They still carry the historic onus of being responsible, by their candidacy in 1979, for having prevented an SPD victory in Schleswig-Holstein. The present image of the Greens in Schleswig-Holstein was extremely dappled and no one could make out their true colors. He was also disinclined to chase after those who had already set too great a distance between themselves and the positions of the SPD.

At the same time, he pledged himself to work together with young people to create a reform alliance with the trade unions and working people. As had already been reported, SPD Land chairman Jansen, because of his criticism of the Federal Government, was experiencing problems with the trade union wing of the party. Concerning his nomination, Engholm said that the unanimous vote in the party executive had served for him to make peace with certain earlier expressed sentiments that he had regarded as rude. He had objected politely though firmly to these statements--reference was to remarks from the ranks of Engholm critics, especially from among the Young Socialists, who had referred to him as a "Hanseatic blockhead from Luebeck."

The election platform with which he will come forward, will, in the light of scanty fiscal resources, restrict itself to a minimum of promises. At the heart of the platform will be his promise that by 1986 all young people in the Land will be assured an appropriate education. The modern secondary school is to be anchored in the system as a school type with validation equal to other traditional forms. In general terms the SPD would like to assume the position as pioneer for reform in the areas of the economy, education and social welfare. On the question of the nuclear power plant at Brokdorf, Engholm remarked, "We have to admit that the battle to stop its construction has been lost. By the time of the Landtag election the power plant will be practically completed." The SPD election platform will no longer demand a halt to construction, but instead indicate the conditions to be placed on approving its operation. Among these the question of nuclear waste disposal will play a large role.

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CSO: 3103/476

## YOUNG SOCIALIST LEADER ON ROLE IN SPD

Paris L'UNITE in French 16 Apr 82 p 8

[Interview with Rudolf Hartung, federal secretary of the Young Socialists]

[Text] "German youth is in the process of changing," says Wolf, a law student. "In this last decade, contrary to appearances, this youth has not been too much interested in politics. For the more conscientious, the post-1968 period went flat like an unsuccessful souffle. For the more timid, the Baader-Meinhof gang served to create repugnance. Today, there is a new economic situation: the future is less rosy and unemployment threatens. There is also fear of a nuclear conflict. For all of these reasons, the young people are in the process of awakening. It is still very calm, but one should not rely on that: it is the calm which precedes the storm."

The storm has even, to some extent, begun. The young people are already moving, in spontaneous fashion, at this antinuclear demonstration or that in support of pacifism, and in more organized fashion, when it is in response to the appeal of this or that party. The enrollment in the ranks of the youth organization is swelling. In the SPD in particular, where the Young Socialists (Jusos) are concerned, they do not hesitate to pose embarrassing questions regularly to the party "bosses" or the ministers. Rudolf Hartung, the federal secretary of the Young Socialists, calmly assumes this role of serving as a goad, a hindrance to loose thinking.

L'UNITE: What is the current strength of the Young Socialists?

Rudolf Hartung: We have a little more than 300,000 members. Of this total, about 40,000 members are very active, always in the forefront.

[Question] Do you believe that you are playing a decisive role in the political life of the FRG?

[Answer] Politically, we represent an impressive part of the minority within the SPD, in other words the left wing of the party. Ideologically, in a country in which the majority espouse conservative ideas, we are among those who dare to go counter to public opinion and to do battle on matters as delicate as the situation of the Turkish immigrant workers or the problem of the political exiles.

[Question] Are you not in a somewhat uncomfortable position? On the one hand, German young people could reproach you for standing unconditionally with the government. On the other hand, socialist activists could hold your opportunism in deliberately involving yourselves in the ecology or pacifist movements against you.

[Answer] It is difficult, to be sure. For a young person who holds such socialist convictions the domestic German situation is not simple. But this is the reality, and it is not our intention to flee it on the pretext that it is contradictory. Our goal is simple: to change thinking, to advance ideas in a progressive direction. This leads us to do battle wherever there is a battle to be waged. This also leads us to be efficient: what good does it do to fight if one never wins? And in order to be efficient, to win, it is after all better to work within the SPD than to be isolated in a small marginal party.

[Question] Doesn't it seem to you that you are the justification, the good conscience of the SPD? We have seen so many impassioned Young Socialist officials end up in a very cautious political framework.

[Answer] You are saying that former Young Socialists might become "conservatives" as they acquire age and political responsibility? One cannot after all say any such thing about someone like Willy Brandt! He has never rejected the convictions he had when he was a member of the socialist youth. He has never renounced his ideas. He fought for them when he became chancellor. By remaining himself, he both won and lost. He won in foreign policy, in which he imposed his concept of detente and "Ostpolitik." He lost in domestic policy, where public opinion did not come to the support of his social program, while the employers class fought him systematically. But in both cases, Brandt showed that he had remained faithful to himself.

[Question] Would your judgment be as positive concerning the policy currently being pursued by Chancellor Schmidt? Are you in agreement with his economic policy? With the international position he has adopted?

[Answer] The conservatives, the Christian Democrats, are currently trying to prevent the implementation of Chancellor Schmidt's "recovery plan." Even if we believe that this is an inadequate program, it would be catastrophic if these minimal measures to promote jobs were blocked.

In foreign policy, Schmidt is right in being cautious. We belong to a nation divided in two. We are in permanent contact with the Warsaw Pact troops. Any aggressive attitude toward the East could lead to tragedy. This does not mean that we are in agreement with what is happening in Poland. It means that we refuse to regard as parallel, as some do, situations which cannot be compared. There have only been seven deaths in Poland, while there are dozens every day in El Salvador. Should we refrain from saying that the United States sometimes does worse than do the Soviets? We will be branded anti-American, I know. But young Germans do not have the same feelings as preceding generations did toward Americans. They do not have any belief that they have a debt to pay. Obviously, we do not want to become an American colony any more than we do an appendix to Moscow.

[Question] When you participate in a pacifist demonstration alongside the communists and the ecologists, who benefits from the stand you take?

[Answer] We are not "bleating" pacifists. We have taken up collections for the combattants in El Salvador and Nicaragua. When, side by side with others, we participate in a demonstration for peace, this does not mean that there are no just wars. It means that we do not want a nuclear conflict in Europe. When the French say to us "accept the American missiles on your territory," I am tempted to answer them by saying "But if you are so enthusiastic, put them on your territory, then!"

We never demonstrate because our activity would benefit this or that faction. We take a militant stand so that our country can survive.

[Question] The fact nonetheless remains that you often find yourself in the same position as the ecologists, the "green" faction.

[Answer] There are many former Young Socialists in the green faction. Which explains why they are asking the questions that we were already asking at the beginning of the 1970s!

The green faction does not want American missiles on our territory. We do not want them either. They believe that the nuclear program is a rather heavy one. So do we. But we also defend the interests of the workers, of which the green faction washes its hands completely. This is why they are "green" and we are "reds!"

[Question] Sometimes one gets the impression that you feel a certain satisfaction because of the difficulties Chancellor Schmidt is experiencing in maintaining a government coalition including the SPD and the liberals. In your view, the liberals are "conservatives" who hinder all progress. And if the coalition collapsed, the SPD would be forced to return to the opposition and to become more radical, as you would wish.

[Answer] If the liberals left the coalition, their party would collapse and their left wing would remain with the SPD. I do not think that Gunscher will take that risk. It is perhaps regrettable, because the SPD and the left wing of the liberals could finally pursue their leftist policy!

But let us not indulge in dreaming. We must deal with the present situation. We are not partisans of the worst case policy. Now to hope for the breakup of the coalition would mean hoping that Strauss would return to power. No one could want that! No one in the SPD or the Young Socialists could hope for a limitation on freedoms within the country and a German domestic policy which would be decided in Washington.

We are not about to hope, after all, for regression in our country, using the justification that we see that it is not advancing very fast! Of course we do hope that the SPD will one day promulgate a somewhat more socialist program. But after all, it is our job as Young Socialists to persuade the new generations of the need for such a program.

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CSO: 3100/620

POLITICAL

FEDERAL REPUBLIC OF GERMANY

POLL SHOWS SUPPORT FOR REFORMS

Hamburg DER SPIEGEL in German 31 May 82 p 14

Text The majority of the voters expects the SPD/FDP coalition "to pursue socialist-liberal values offensively" in their policies. An Infratest poll, commissioned by the SPD executive committee, found that the overwhelming majority of voters, regardless of party preference, wants the FDP to join hands with or even to act as a goad for the SPD on important political issues. This applies to social security (81 percent); detente policy vis-a-vis the East (70 percent); advocacy of indigenous interests even vis-a-vis the partners in the alliance (80 percent); higher taxes for high earners (66 percent); co-determination privileges for the labor force (65 percent). The conclusion drawn from this poll by the leadership is that the present poor showings of the coalition—reflected in poll results giving the CDU/CSU 51 percent; the SPD 33 percent; the FDP 8 percent and the Greens 7 percent—are "not in the first instance an indication of a substantive political trend toward conservatism or of a lack of enthusiasm for reform." A clear majority of the FDP voters are said to have come out in favor of continuing the Bonn alliance with the SPD with about one-fourth of the FDP voters opting for a coalition with the CDU/CSU. Another finding was that Hans-Dietrich Genscher may look to the CDU/CSU to add strength to his party's rolls. In 1977, 20 percent of all CDU/CSU supporters would under no circumstances have voted for the FDP; the corresponding figure for today is only 6 percent.

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CSO: 3103/494

## POLL SHOWS DECLINING FAITH IN DEMOCRACY

West Berlin DER TAGESSPIEGEL in German 12 May 82 p 7

[Text] A broad-spectrum Infas opinion poll shows a declining confidence of large sections of the population in the effectiveness of the Federal Republic's democratic system: 28 percent of adult West Germans believe that the use of violence is occasionally justified to call attention to what is, in their eyes, a just cause. Among young people between 16 and 23 the future is as high as 40 percent. Some 46 percent of adults and 74 percent of young people say that they can understand aggressive reactions of young people in the face of everyday violence. The study shows that there is little faith among many people in the commitment, honesty and good will of politicians, trade unions and the judicial system.

The Bonn public opinion survey institute, under a contract to the North Rhine-Westphalian minister for social affairs, Farthmann (SPD), from June until November of last year interviewed some 3,000 of that Land's young people as well as 4,000 representatively selected adults from throughout West Germany. In announcing the data yesterday in Duesseldorf, Farthmann spoke of their "quite depressing" results.

The fact that only 49 percent of adults and 29 percent of young people felt that the decisions of politicians were made in the interest of the people, said Farthmann, "leaves me speechless." Some 49 percent of adults and 68 percent of young people felt that political parties were concerned only with being elected and not with the concerns of the voters. Fifty-three percent of adults and 43 percent of younger respondents stated that the trade unions were less concerned with the interests of working people than they were with maintaining their own power.

The minister also expressed his alarm at the deep scepticism with regard to the courts. Of adults, some 55 percent felt that the courts were not always impartial, but instead framed their decisions in favor of the powerful; a feeling also shared by 61 percent of young people polled.

Sixty-seven percent of adults and 73 percent of young people accused large corporations of being concerned only with profits and not with the welfare of society. Distrust of the police was very evident, as 27 percent of adults and 55 percent of young people scored the police for overly rough actions against demonstrators.

Farthmann said that it was apparent that the willingness to use force was becoming more evident as unemployment increased. Thus the most important conclusion to be drawn from the study was that efforts to deal with unemployment among young people must have "absolute top priority."

According to the Infas survey 59 percent of the young people between 16 and 23 felt that their first commitment was to their "getting ahead," 44 percent felt committed "to those who need help," 63 percent to "friends" and 12 percent to "God."

Additionally questions on the survey showed that 61 and 62 percent respectively of the young people felt that protection of the environment and the exploration of alternative sources of energy were "very important." Only 10 percent felt that the expansion of the use of nuclear energy was "very important" as opposed to 55 percent who felt that it was "unimportant." Disarmament was regarded by 85 percent of young people as "very important" and "important," 41 percent regarded the strength of the Bundeswehr as "very important" or "important."

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POLITICAL

FINLAND

VAYRYNEN ASKS SDP IF WILLING TO ENTER COALITION WITH RIGHT

Helsinki HELSINGIN SANOMAT in Finnish 25 Apr 82 p 10

[Article by Kalle Heiskanen]

[Text] Imatra—Center Party (KEPU) chairman Paavo Vayrynen is hoping for a reply from the Social Democrats to the question as to whether the SDP [Social Democratic Party] would be ready to participate in a coalition government with the Center and the Conservative Party after the next parliamentary elections if they can reach agreement on programs and other matters associated with the formation of a government.

Chairman Vayrynen raised his question at the beginning of the KEPU executive committee's 2-day meeting on Saturday in Imatra. He at the same time stressed the fact that the coalition would be primarily based on the KEPU and the SDP.

Vayrynen wanted to determine whether the SKDL [Finnish People's Democratic League] would also be ready to join in this cooperative effort that would be more broadly based than before.

Vayrynen's second question was addressed to the Conservative Party: "In the event that the Left still refuses to cooperate with us, how does the Conservative Party plan to contribute toward broadly-based cooperation in the government by a Center-leaning, nonsocialist force that is as broad as possible?"

"KEPU-SDP Will Be the Mainstay"

According to Vayrynen, the answers to these questions will resolve the basic problem of our government policy. Vayrynen added that the solution is not in the hands of the KEPU.

Vayrynen concentrated his examination of the alternatives to these two questions in terms of a broad party constituency and government policy. The KEPU chairman based his arguments on the fact that the best alternative in terms of government policy is a broadly-based government whose mainstay is the Center and the Social Democrats.

In Vayrynen's opinion, breaking up this long-term cooperation would give rise to damaging conflicts in our society.

Vayrynen was of the opinion that there is a strong pull among the Social Democrats and in the Conservative Party in the direction of getting these two parties to form a joint government. He doubted, however, that the SDP would risk taking that road because it would result in a loss of support for the Center and the SKDL.

"I do not believe that the Conservative Party and the SDP would go ahead and force the KEPU out of the government by agreeing between themselves on a platform which the KEPU could not accept," Vayrynen said.

#### Short-Sighted Conservative Party

Vayrynen replied to the Conservative Party that a coalition government between the Center and the Right is theoretically and practically possible. He felt, however, that a government composed of Center forces that was as broad as possible would be better able to function. Vayrynen criticized Conservative Party positions on government policy and the party leaders' strategy as being shortsighted. In his opinion, the party appears to be making the issue of passing through the front door into the government an end in itself toward which it is striving at the expense of realizing its own objectives.

According to Vayrynen, the Conservative Party is trying with all its might to increase its support at the expense of the KEPU. "At the same time the Conservative Party is proposing hypocritical offers of cooperation to us, it is trying more vigorously than ever before to crush the Center in its grip," Vayrynen said.

He doubted that the Conservative Party had already abandoned the hope that the Left would consent to joining it in a coalition government. Recently, party leaders have publicly pushed for a nonsocialist alternative only, Vayrynen argued.

Vayrynen said that the Conservative Party might actually get into the government for a short time in this way, but the chief issue is the fact that the Conservative Party's long-term participation and its creation of a powerful counterbalance to the Left would remain unresolved.

#### Concentration of Forces

Discussing a contemplated linkup between the KEPU and the LKP [Liberal Party], chairman Vayrynen said that the concentration of forces in the political center would by no means end with the joining of KEPU and LKP forces, but that it would continue in many other ways.

Vayrynen left the door open just a crack to the Christian League. Emphasizing the word "if," he said: "If the Christian League moves away from its general line to become a centrist party, we can enter into closer cooperation than before with that party too."

According to Vayrynen, there are forces moving toward the Center which are linked with the Right in the Conservative Party too, which may somehow be gotten to join in the construction of a middle-parties coalition.

In the last part of his speech, however, Vayrynen noted that in the 1970's center forces active in the Conservative Party abandoned their goals of breaking away from the regular Right of the Conservative Party.

The KEPU gave its answer in Imatra to the offer to negotiate made by the Conservative Party in early April. According to the KEPU, all parties go to the polls on the basis of platforms founded on their own ideals. Then after the elections the parties enter into the usual negotiations to form a new government.

The three-part answer concluded roughly as follows: The objective of cooperation between the KEPU and the Conservative Party will be to increase opportunities for centrist and center-leaning forces to exert their influence in the development of our society. Chairman Vayrynen and party secretary Seppo Kaariainen signed the position paper sent in the name of the party administration.

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CSO: 3107/113

**WAR, FINLANDIZATION LIKELY RESULTS FROM PACIFISM, NEUTRALISM**

Paris DEFENSE NOUVELLE in French 1 Jan 82 pp 5-8

[Article by Jacques Depret: "From Pacifism to Neutralism\*"

"The pacifist is a domestic enemy, the ally of forces abroad." [Lenin]

**Soviet Imperialism Arouses Fear**

[Text] Since the end of the Second World War, the USSR has aroused fear in the Western World. In 1948, after the coup in Prague--when the communists took power in Czechoslovakia--the former Belgian Prime Minister P. H. Spaak told the Soviets from the United Nations' rostrum, "You scare us!"

At that time, however, the Red Army did not have 50,000 tanks and 55,000 armored vehicles, thousands of planes and nuclear missiles and very threatening naval forces; in short, a military power able to threaten Western armed forces seriously. This is true today. Europe then lived under the beneficent protection of American nuclear supremacy. Moreover, it still hoped that, if there were armed conflict between the two super powers, it would be able to stay out of it.

**Times Have Changed**

If we look attentively at the situation today, we first must decide who determines our future in the short term. This is a military question. Some 20 years ago, the U.S. had nuclear supremacy and could halt and turn back a possible Soviet military offensive against Europe, now the balance of forces is generally approximately three to one in favor of the Red Army and even four to one in artillery

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\*Excerpt from the magazine "LE MONDE ATLANTIQUE" [The Atlantic World] (4th Quarter 1981), Association belge, 12, rue des Taxandres, 1040 Brussels.

and medium-range missiles. The second observation, a corollary of the first, is that first the West can no longer oppose a conventional Soviet offensive without nuclear weapons. Moreover, it is threatened by Euromissiles, the famous SS-20s each with three multiple warheads of 150 kilotons and a range of 4,500 km, which can bring its destruction. Here a remark is necessary.

#### The SS-20 for the Whole World

People always use the term Euromissiles when speaking of the SS-20. If we look at a world map, we see how restrictive this term is. In reality, the SS-20 launched from Soviet territory can also strike North Africa, Egypt, Israel, Saudi Arabia, Iran, Pakistan, India, Thailand, Burma, Cambodia, Vietnam, China and Japan, just to name the major countries. What might and political and moral power this is! We can wonder how the security and political independence of the West became so catastrophically endangered. There are many answers. Unable to give them all, we mention one example. Nothing could be done to displease the Soviet "partner" in the last decade. According to William Perry, the American undersecretary for defense\*, the American government reduced military spending so drastically that the U.S. was finally unable to match the Soviets in the field of new armaments. During this time, the Soviets increased spending for weapons by four percent annually. In 10 years, the decreased American allocations amounted to approximately \$240 billion, a drop of approximately 85 percent.

#### The Price of Cowardice

It is not only the American policy which should be criticized. Europe always was and still is adept at detente at any price, no matter what the price. We may have to pay a very high price. Although the new Reagan administration has seriously begun to restore a better balance with the USSR, Europe is far from showing the same willingness. Can it? It is easy to answer yes. In fact, its position is complex and more uncomfortable. It seems to have life or death choices. We think it is totally useless to dwell on the political mistakes of the past. It is more realistic to study the current situation and examine the consequences.

There are three basic points. The first is the growing danger of an East-West conflict. The second is that, in the near future at least, it is not certain that the West can win a war. The third is that Europe would certainly be the battlefield for the confrontation of the super powers.

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\*Hearings before a Subcommittee of the Committee on Government Operations, House of Representatives, 96th Congress 1980.

Let us review these three points.

#### The Finlandization of Europe

Although the USSR's grand design is not only to impose its Marxist-Leninist ideology on the world but also dominate it by political, economic and military supremacy, other motives might cause a world conflict. One reason stands out--the risk of the decline of Soviet military supremacy. Let us explain. The policy of detente as implemented in the West though admirable in spirit but deplorable in some methods, has created the imbalance in forces we mentioned. Such an imbalance could only lead to a situation allowing the USSR to impose its will without any opposition. Moreover, Brezhnev himself warned the world in 1973 in Prague when he said, "...that a major change in the balance of forces will occur by 1985 which will allow the USSR to impose its will whenever necessary...."

Evaluating the threat, President Reagan decided to reestablish the balance of forces in place and give them a credible deterrence. In the next few years, the Soviet military power will lose its supremacy. This prospect might make the Kremlin masters try for a decisive victory while they still have many advantages.

The American buildup alone is certainly not the only reason for a possible East-West conflict. Without any doubt, it is the most decisive and the one we will examine here.

The second point is that the West might not necessarily win a confrontation, given the state of forces in place. In a totally conventional conflict, Soviet military power is such that, we repeat, nuclear weapons would have to be used to check its offensive. If nuclear weapons were used, then probably means other than battlefield weapons would be used. The question arises about how far this type of escalation would go. We could then project a Soviet response with an accurate attack on limited military objectives in Europe with the SS-20. The U.S. and the USSR each have the capability for mutual destruction several times over. Would an American president sacrifice New York for West Germany, Chicago for Great Britain, Detroit for the Benelux or San Francisco for Italy? Since Europe cannot carry on a nuclear war or even a conventional one without complete U.S. support, what would its fate be?

#### Europe, The Battlefield

The third point is that Europe must recognize that in a conflict between the two super powers, it would be the battlefield for the confrontation and be dragged into the hostilities. What type of war could we expect? For a long time, we rejected the idea of a nuclear

war. We felt that to develop, international communism did not want cemeteries and ruined fields. We were also firmly convinced that, if there were a conflict, the Soviets would fight a conventional war and use chemical warfare extensively. This opinion should have been strengthened by recent Soviet military maneuvers whose theme was chemical warfare without nuclear escalation. In view of new analyses, we must come to another conclusion. We are henceforth convinced that a possible Soviet offensive against the West would begin with a broad nuclear attack against many strategic places in Europe. If the United States did not immediately retaliate with nuclear weapons against the USSR, it would be excluded from this attack initially. Several facts favor this thesis. The main ones are: surprise attack and rapid action are among the basic principles of Soviet military doctrine. A nuclear attack would strike a decisive blow in a few minutes. Indeed, by combining an attack of the SS-20 with aerial bombing, the Red Army could destroy most Western strategic points. These missiles with a reduced bombing load are currently accurate enough to be very destructive and achieve the same results as one megaton or larger nuclear bombs, without the danger of devastation.

#### The Weapon of Fear

We have not discussed the psychological impact on people. Fear is a weapon in itself and not the least. The Soviets excel in cultivating this art. To be convinced of this, we need only go back to the threatening letters sent to the leaders of NATO member nations at the time of the debate on the modernization of theatre nuclear weapons in 1980 or read the open threats in PRAVDA to Western nations which supported the principle of stationing the N bomb, commonly called the neutron bomb with increased radiation. We should say a few things on this subject. Let us admit we are always skeptical about the demonstrations when Westerners announce the production or future deployment of new weapons. These decisions generally unleash the Soviets' menacing fury and the indignation of singularly blind pacifists, Moscow's agitators.

However, we must be serious and face the facts squarely. It is curious to note Soviet wrath at the announced deployment in Europe of cruise and Pershing-2 missiles when the latter are only one part of the restoration of the balance to deal with the SS-20. It is true that these missiles are a direct threat from Europe against the Soviet sanctuary. Although the USSR is quite at ease with the threat it imposes on other nations, it does not tolerate the least reciprocity. The SALT 2 negotiations perfectly illustrate this mentality. In analyzing the meaning of the Vienna agreements, we see they do not include intercontinental ballistic missiles and only involve the USSR and the U.S. Medium-range missiles, the SS-4, the Sandal, the SS-5, the Skean and the SS-20 were not discussed. Only the new

Soviet "Backfire" bomber which Moscow wanted to keep outside the SALT 2 agreement was the subject of an appended protocol limiting production to 30 planes a year.<sup>1</sup>

#### The New Defensive Weapons

Why does the neutron bomb arouse so much controversy? With all we read or hear about it, the question needs to be asked and answered. The neutron bomb is a mini-nuclear bomb producing heat and blast effects approximately 10 times less than those of the same size thermonuclear bomb. Its radioactivity is much greater. Although it is questionably more frightening than some other weapons of death, it is no more odious. Like any other bomb, it will kill or injure all those in its radius of effectiveness--friends or enemies, civilians or soldiers without distinction. The rest is just history. However, since its blast and heat effects are smaller than those of other thermonuclear bombs of the same size, we can consider it less destructive. That is why it is criticized. It is claimed that this battlefield weapon would lower the threshold of nuclear war. In fact, because its radioactive power is not new, it does not add much even to the principle of theatre nuclear forces. We would be overlooking the some 7,000 tactical nuclear artillery warheads held in Europe under the vigilant guard of the Americans. Finally it is quite amusing to note the Soviets' outburst when we think that just about 2 years ago, they announced they had invented this type of bomb! The use of the neutron bomb would prevent the Soviets from using their mechanized units and would force them to make considerable strategic changes. Before reaching this point, they can gather together all kinds of dedicated pacifists and intensify their efforts to separate the Europeans from the Americans.

#### The USSR's Blackmail

The threat is clear, obvious and specific: reject the Pershing-2, cruise missiles and the neutron bomb. If you do not, you will be wiped out in a nuclear war! The danger certainly exists. Because of the density of its population, the size of its cities and the small scale of its territory, Europe cannot sustain a nuclear conflict. According to Dr Carl Friedrich von Weizacker<sup>2</sup>, a total of 76-2 megaton nuclear warheads hitting the ground would physically

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<sup>1</sup>At the time, motivated by Europe's forgetfulness, we wrote an article in the Belgian weekly "L'EVENTAIL" [The Fan] entitled "Vienna, Salt 2 and Europe?" [L'EVENTAIL No. 4272, 29 June 1979 p 12]

<sup>2</sup>Excerpt from "Kriegsfolgen und Kriegsverhutung" by Dr Carl Friedrich von Weizacker, Carl Hauser Verlag, edit. Munich 1971

annihilate West Germany and kill at least 30 million people. Many individuals find nuclear war an unthinkable idea. We understand that the young want to live before dying and the aged want to end their days peacefully instead of perishing agonizingly and the ecologists want to hear birds sing in the trees, see the grass grow in the meadows and the flowers bloom in the gardens. Many therefore resign themselves already to be "red" rather than dead! Although men propose, events dispose. If the desperate pacifism of some indicates touching sentiments, the naivete of their means thwarts their goals. Because they want peace at any price, the world is on the brink of war. There are circumstances in life when concessions are not signs of goodwill but are considered signs of weakness. The Soviets do not look kindly on weakness. Gen Edward L. Rowny, an American military negotiator at SALT, told the following anecdote. During negotiations in Geneva, Senator John Tower visited the American delegation. While General Rowny was talking with Aleksandr Shchukin, a very prominent Soviet negotiator, the senator approached Shchukin and asked, "...in the interest of arms limitations, we stopped production on the B-1. What are you going to do in return?" Shchukin answered, "Senator, you do not know us well. We are neither pacifists nor philanthropists!"

#### Liberty for the Strong

Although the Soviets are not pacifists, they certainly encourage others. Thus, many pacifistic movements do not conceal the fact they owe allegiance to Moscow. This does not keep them from attracting many politicians and others who join no doubt to obtain some assurance about the future. Rather than satisfying the legitimate aspirations of those who truly want peace, these movements, Lenin's "allies from within," are so many wedges driven in by Moscow to sap Western morale and lower resistance to their plan of world domination.

Of course, the Europeans' position is not very comfortable. Caught between the American devil and the Soviet deep, the choices they must make are both dramatic and poles apart. The dilemmas are few in number. The path is narrow between detente or strength, neutralism or commitment, freedom or servitude, war or peace and survival or death. Detente without a policy to restore a just balance between the East and the West will only lead Europe to neutralism in the end. Then, whether we wish it or not, the lack of power to resist a Soviet dictate will gradually tilt Europe into the Soviet orbit. By supporting a policy of strength and deterrence, we obtain the means to safeguard the freedom of the Europeans and their national independence. If this deterrence is not credible, we expose ourselves to the risk of millions of deaths and untold destruction in the event of a nuclear war. Possession of nuclear weapons is not a sufficient deterrent. Political will and, if circumstances require, even the

political possibility of use are needed. For example, suppose there is a nuclear war involving France which has its own deterrent. The first nuclear strike hits and destroys the Albion Plain.\* This is the most optimistic scenario and the only objective hit. The Mirages and the strategic submarine force are still intact. The president of the republic still has considerable means of retaliation available. At the very moment of the attack, he is given an ultimatum: "At the first missile launched in retaliation, Lyons, Marseilles and Bordeaux will be destroyed; at the second, Paris...." When the news of the bomb spreads, widespread demonstrations are held. Fright leads to panic. Demonstrations lead to uprisings. There are murmurs of revolt. The people call for the immediate signing of a peace treaty. The question arises: even though he has the means to retaliate and the political will to act, is the president of the republic politically able to act, confronted with a popular uprising?

This scenario is not at all exaggerated and not only applies to France. We can also ask what would happen if there were a broad, rapid nuclear offensive against Europe limited exclusively to military objectives. We do not have to be Cassandra to answer. Logic alone supplies it. Unable to prevail in the situation because they did not prepare for it, the European governments would be obliged to capitulate because of popular pressure. Considering the battles to be fought, the Americans would just remove their troops as quickly as possible.

#### Europe as a Satellite?

The period of totalitarian domination, deportations, famine and destruction would begin for Europe. Another liberation would be **very long** in coming. The first American step toward the East would begin in Cuba. Before going farther, the excessively powerful Soviet navy which Admiral Gorschkov has made a fearful instrument of war would have to be cleared from the oceans and the seas at a very high price on both sides. With China's help, the great battle of the Titans would begin. Near the end of this merciless confrontation, Europe could perhaps hope to escape from its hell.

We must be convinced that detente will be absolutely unworkable without credible deterrence. Europe will not have the physical means for a policy of deterrence for 3 or 4 years, unless excessive pacifism delays its deployment.

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\*The Albion Plain is located in Haute Provence. The French SSBS [land-based strategic missiles] silos are located there.

On the eve of the Second World War, Sir Neville Chamberlin, the British prime minister, was considered the most pacifistic statesman. When Great Britain went to war on 3 August 1939, he admitted before the British Parliament, "This war which is beginning is the fruit of a long blindness and a pacifism which was unable to organize peace effectively...."

May our statesmen remember this remark!

9479  
CSO: 3100/561

## PREDICTED GOVERNMENT RESHUFFLE ASSESSED

Athens I VRADYNI in Greek 17 May 82 p 7

/Article by Titos Athanasiadis: " 'Sweeping' Reshuffle in June or July --Many Ministers and Deputy Ministers to be Ousted, Many New Ones to Come In, Including Papandreou's Son"/

/Text/ According to I VRADYNI's reliable information, Prime Minister Andreas Papandreou is studying a large-scale government reshuffle for the end of June or beginning of July. The reshuffle will take place shortly after the adjournment of parliament and the vote by the summer recess unit on the reorganization of the ministerial council.

Persons who know PASOK's behind-the-scenes activities quite well are talking about a "sweeping reshuffle," wanting in this way to convey the idea that with this reshuffle, those ministers who are not "putting out" and because of whom "points are being lost" daily will find themselves outside of the government.

The same sources maintain that the prime minister, with the excuse of the new law regarding the ministerial council and having knowledge of "the utter failure" of many of his coworkers and also the complaints and displeasure of parliamentary cadres of the movement because they are not being used in the government, is now decided to make a deep cut into his government staff, even by recruiting persons outside of parliament.

#### Why Summer?

The choice of the time for implementing this change in the composition of the government is not fortuitous. The bill on the reorganization of the ministerial council will be voted on more quickly and without the "headache" of the "drain" of certain votes since control over one-third of the parliamentary strength of PASOK in parliament's summer unit is easier and since by its nature and mission this unit can "dissipate" many of the "major problems," while on the other hand the opposition has one-third of the strength in this unit.

Moreover, the exasperation or bitterness that will develop in many PASOK cadres because they will not be considered for ministerial positions will not be all centered in Athens but will be dispersed throughout the provinces where the

deputies will divide their time between summer vacationing and communicating with their constituents and will be within "acoustic range" of the local committees.

According to the same sources, after the reshuffle an optimistic atmosphere will be fostered, with slogans for a "new drive," etc., so that the suitable atmosphere might be created within which the campaign for the municipal election battle will be waged.

It should be pointed out that certain influential PASOK cadres hold the view that the reshuffle should take place after the municipal elections. These cadres present as their main argument the fact that further discontent within the parliamentary team should be avoided, especially at a time when harmony is needed because of the forthcoming municipal elections.

These cadres believe that the most suitable time for a reshuffle is after the elections, a time that coincides with the end of the year since PASOK's electoral victory in 1981 and with the beginning of the new parliamentary session.

Persons in the PASOK behind-the-scenes know-how maintain that in the reshuffle "many innocent individuals will receive the same fate as the non-innocent" because "Andreas will thus seek to convince the people that his government has not failed but is simply being restructured to readjust to the new conditions that will come about through the new law on the ministerial council."

In this way, however, according to other sources, Mr Papandreu will dispense with the services of certain members of the government who are taking part in "conspiratorial" groups and he will create the possibility to include more individuals for ministerial positions, thus increasing the great discontent that is widespread among many members of the parliamentary team because of their being cast aside.

It is also being said, according to the same information, that Mr Papandreu will be especially tough against all those who are expressing their displeasure by not attending parliamentary meetings, by speaking openly about their being ignored, by showing favoritism towards others and by abstaining from demonstrations of committees of their regions.

#### Margaret's Influence on the Ministerial Council

#### The "Pros" and "Cons" of the "Candidates" for Ministerial Posts

#### Who is Influencing Whom?

Decisions on who comes in or goes out of the government will certainly be influenced by certain figures and circles. At any rate, it is being said that Mr Io. Alevras, president of parliament, and Mr A. Livanis, director of the Parliamentary Organization Service, will have some say in the matter.

Nevertheless, the influence of strong party factors must not be ignored, such as the executive office or even of individuals outside of parliament, or even of persons in the close entourage of the prime minister, as his wife, Mrs Margarita Papandreou.

All of these factors are divided into two "currents." One is made up of centrist or traditionalist cadres that have as its leader Mr Io. Alevras. In this group are included such individuals as Mr Kaklamanis, Mr Kouloumbis, Mr Giannopoulos, etc.

The other group is the executive or restorative group headed by Minister of Public Works A. Tsokhatzopoulos and Minister of Interior G. Gennimatos, each having differing favorites and influences in the parliamentary team. Included in this group are Ministers Veryvakis, Giotas, Avgerinos, Simitis, Perrakis, etc.

Most of PASOK's parliamentary and non-parliamentary cadres gravitate around these two currents, to which a third, with clearly elitist characteristics, has now been added:

That of Mrs Margarita Papandreou, a group which includes Messrs Drettakis, Skoularikis, Peponis, Maroudas and certain others.

There are also cadres who do not belong to any tendencies or groups but who are independent, such as Messrs Kharalambopoulos and Lazaris who are said to be in the close entourage of the prime minister.

There are also the so-called marginal cadres. These are deputies who are on the margin and whose political existence appears to evolve in a "ghetto."

These are divided into two categories. Those greatly dissatisfied who belong to nothing or to no one. Those purely Marxist or radical, such as Mr St. Tzoumakas, deputy from the Second District of Athens; Mr Emm. Khotzinakis, deputy from Lasithion; Mr Th. Pangalos, deputy from the remainder of Attiki; Mrs Eir. Lambraki, deputy from the Second District of Athens; and three to four others who are said "not to have a place in the sun."

#### Who Will be Replaced or Transferred

In accordance with the same information, those ministers and deputy ministers to be replaced are Minister of Justice Alexandris because of the fiasco over the statute of limitations, Minister of Communications Giannopoulos, Minister of Urban Planning, Housing and Environment Tritsis, Minister of Culture Merkouri, Minister of Northern Greece Intzes, Deputy Minister of Social Services Kaklamanaki, Deputy Minister of Agriculture Alexiadis, Deputy Minister of Commerce Papaspyrou, Deputy Minister of National Defense Drosogiannis (for health reasons) and two to three other deputy ministers.

According to the same sources, the following will be transferred from one ministry to another: Veryvakis (leaving the Ministry of National Education), Giotas (leaving the Ministry of Merchant Marine), Kouloumbis, Peponis (leaving the Ministry of Industry and Energy), and perhaps Mr Drettakis.

#### Who Will be Considered for Ministerial Posts

In the list of those being considered for ministerial posts, a list already being drawn up and that will be subject to continual changes up to the very last day, there are certain names that have greater potential for being considered for ministerial posts than others.

Those considered as having this greater potential for being named minister are the following (in alphabetical order):

- Mr Nik. Athanasopoulos, deputy from the First District of Salonica, former public prosecutor. Favoring him is his resistance activity and the fact that he has been elected to office twice under the PASOK banner. His handicaps are his extreme positions and his often contentious character, a factor that influences the performance of a government cadre and creates problems in cooperation and understanding with the opposition.
- Mrs Sylva Akrita, deputy from the Second District of Athens, one of the founding members of PASOK and the first woman deputy in the history of the movement (elected for the first time in 1974). In her favor are her militant traditions, her seriousness and her name. Her liabilities are the small problems created in her personal relations with the party that led her to the decision not to enter the 1977 elections. It is also being said that she has a certain dislike for persons in the close entourage of the prime minister.
- Mr Pan. Katsaras, deputy from Karditsa. In his favor is the fact that he was elected to office a second time, his vigorous participation in the parliamentary work of PASOK, his origin from a predominantly agricultural area which basically is of interest to his party, as well as the fact that Deputy Minister of Agriculture Alexiadis, who was elected in a neighboring nome, is reportedly to be replaced "in order to bring in younger persons." Working against him is the fact that he lacks the required support of the party establishment and that he is ill-humoured and contentious.
- Mr Georgios Katsimbardis, deputy from Voiotia. Favoring him is the fact that he was elected to office twice, that he is one of the most militant PASOK cadres, that he is young, that he is vigorously involved in parliamentary work, that his region is not represented in the government and that he has no problems either with the party apparatus or with the party establishment.
- Mr Vas. Kedikoglu, deputy from Evvoia. Favoring him is the fact that he has been elected to office twice, his major participation in the parliamentary work of his party, his qualifications that put him in the ranking position of PASOK cadres and the fact that his region is not represented in the government,

and will not be represented at all in the governmental structure if it is true that Mr M. Stefanidis, first vice president of parliament who was elected from the same nome, "is sacrificed" in the name of promoting new faces during the forthcoming parliamentary session.

- Mr Georgios Ktenas, deputy from Lefkas. In his favor is his impact in the area in which he has been politically involved since the time of Law 1-1-4 and the generation he belongs to. Working against him is the fact that he is a younger deputy than others who are being promoted from a hierachial aspect and that he comes from a region having only one seat.

- Mr Koronaios, deputy at large, who is considered as one of the best qualified PASOK men in the field of economics.

- Mr Georgios Maliakas, deputy from Lesvos. Favoring him are his fine education both in Greece and abroad and the fact that PASOK has not had any ministers from among its cadres in the islands of the Eastern Aegean. His handicaps are his family tradition (he comes from a family of politicians, and PASOK is against ....the establishment) and that he was elected deputy for the first time in 1981.

- Mr Arist. Bouloukas, deputy from Messinia. Favoring him are his many years of activity in the Center from 1965 and later during the dictatorship when he was exiled. Also, the fact that his region is not represented in government and that he comes from a family with a militant tradition (his father was a hero during the Albanian war). Working against him is the fact that he was one of the main cadres of the conspiratorial paramilitary organization ASPIDA Officers, Save Fatherland, Ideals of Democracy and Meritocracy and has against him the criticism of many military officers, a fact over which the prime minister and the PASOK leadership is showing special sensitiveness. Mr Bouloukas also does not have the favor of the party apparatus.

- Mr Georgios Papadimitriou, deputy from Aitoloakarnania. He is considered as one of the most wronged deputies in the movement. Even though he was elected continuously since 1974 under the PASOK banner and despite the fact that he was twice the deputy of the United Center prior to the dictatorship, he was ignored during the formation of the government by Mr Papandreu and sacrificed in the name of renewal (he is only one year older than Andreas). Nevertheless, many who know PASOK's behind-the-scenes activities feel that in the next resuffle Mr Papadimitriou will be one of the "sure ones."

- Two more candidates are being promoted from Aitoloakarnania Nome: Mr Nik. Papaioannou, who was an EDIK Democratic Center Union deputy in the 1974 parliament and has strong connections with the PASOK establishment. He is being attacked, however, by the "renovators" because of his old-time party

mentality. Also, Mr Ath. Dimitrakopoulos who is considered as one of the most sensible and educated of the young deputies, but he lacks connections.

#### And Georgios Papandreou

Papandreou's son, Georgios (deputy from Akhaia), is sure to enter the government and will be given the Ministry of State for Youth now being established. The fact that the young Papandreou, who represents the third generation of his family, is being considered for a ministerial post is expected to provoke opposition from among older PASOK deputies; none, however, from the grass-roots level or the party apparatus where the young deputy's influence is significant.

- Also considered for a ministerial post is Io. Papadopoulos, deputy from Evros who comes from the old EDIK (he was elected in 1974). His candidacy will depend on how many from the old EDIK will finally be selected for promotion into the government. Among the names mentioned is that of Mr St. Papathemelis (First District of Salonica) who has been continuously elected to office since 1974 and who is supported by Mr Simitis.

- Mr P. Sapoundzis (Evvoia) is also being considered for a ministerial post. He is one of the more moderate and hard-working PASOK deputies since 1977. In any case, his selection will depend on whether or not Mr Kedikoglou, from the same nome, is considered for a ministerial post.

- Also under consideration are: Mr Sp. Rallis (Kerkyra), PASOK deputy continually since 1974, who has the great affection of the party base but also the dislike of its leadership group. Mr Io. Floros (Larissa). Mr Dim. Khondrokouris (First District of Piraeus) whose participation in ASPIDA (as in the case of Mr Bouloukas) is regarded as a drawback, but whose active participation in parliamentary and PASOK party activity is regarded as helping him.

- Mr Karkopoulos (nuclear scientist), a Euro-deputy, is also being considered for a ministerial post.

- Another Euro-deputy, Mr Emm. Poniridis, who has lived in Sweden for a long time (he is married to a Swede) and who has many relations with its political world, is being considered for the post of ambassador to Stockholm.

#### Non-Parliamentary Ministers

Among those to be considered for ministerial posts are certain PASOK cadres coming from outside of parliamentary ranks, including Mr Arsenis, director of the Bank of Greece, and Mr Rokofyllas, director of the Agricultural Bank, for whom important ministries are being reserved.

- Also talked about is the possible candidacy of Mr Plaskovitis, head of the PASOK group in the European Parliament.

Degiannis and Fleming

It is being said that Mr Papandreu is giving special attention to the cases of Mr Degiannis, deputy at large, and to Mrs Am. Fleming, deputy from the First District of Athens.

Regarding Mr Degiannis, there is a suspicion that he is being kept under "quarantine" by the PASOK leader for a future high-level "mission" which might nevertheless not be realized.

As for Mrs Fleming, it is known that she is still influenced by the "chill" existing in their relations following her interview with an Italian periodical that terribly angered the party leadership.

Mr Fotilas

As for Mr Fotilas, the same information relates that he will be given the administration of a major organization.

"Americanophiles" and "Germanophiles"

Among those being considered for ministerial posts is Mr Theod. Stathis, deputy from Larissa, who is considered an expert in environmental technology issues. Mr Stathis belongs to the group of PASOK cadres who studied in America and who is technologically and culturally influenced by America. Other parliamentary PASOK cadres that come from American universities, not including Andreas Papandreu and his son Georgios, are Messrs Koronaios and Tritsis as well as Euro-deputies Papandoniou and Lagakos.

This group must be differentiated from the so-called "Americanophile" group that is in favor of improving Greek-American relations. Head of this "group" is thought to be Minister of Labor Ap. Kaklamanis.

Besides the "group" of "Americanophiles" there is also the "group" of "Germanophiles" that includes those who studied in Germany or who lived there during the period of the dictatorship. The "Germanophiles" are under German social-democratic influence. Their head is Minister of Public Works Akis Tsokatzopoulos and Mr Kostas Nikolaou, one of the vice presidents of the European Parliament, whose relations with West German social-democrats are especially close following his election to the important post in the European Parliament. This election is surely due to the support of the West German social-democrats.

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POLITICAL

NETHERLANDS

VAN AGT ON U.S.-EUROPEAN RELATIONSHIP

Rotterdam NRC HANDELSBLAD in Dutch 27 Apr 82 p 3

[Report on a speech given 26 April 1982 by Prime Minister Van Agt to a closed meeting of the Council on Foreign Relations in New York, by Sytze Van Der Zee: "Van Agt Sees Less Unity in NATO"]

[Text] New York, 27 April--According to Prime Minister Van Agt, cooperation within NATO is not going as well as it has in the past. Accusations are heard time and again between the United States and Europe, although, according to the prime minister, criticism must be possible among friends. As an example, he mentioned the European criticism of the United States administration's policy with respect to El Salvador.

Van Agt said that yesterday in a speech he gave at a strictly closed meeting of the Council on Foreign Relations in New York. Afterwards, he gave a summary of his speech. The agreement was that no particulars would be made public about the questions which were asked. The prime minister merely wanted to state that they dealt primarily with peace and freedom as well as with the NATO alliance.

According to him, the European criticism is largely directed at the fact that human rights are infringed in El Salvador on a large scale. At the same time, the prime minister begged that more understanding be accorded the revolutionary movements in the developing countries. According to him, very many organizations did not begin as "friends of the Soviet Union," but sought its support over the course of years in order to reach their goals.

In this respect, the Dutch prime minister accused the United States of categorizing everything in terms of the East-West confrontation and too little in terms of the North-South contrast. In its zeal to oppose the spread of communism, the United States too often allowed itself to be guided by the principle that the enemy of an enemy is a friend. Van Agt said that was "not to be recommended."

He dealt extensively in his speech with the North-South problem, in view of what he called the vital necessity of reducing the welfare gap. Van Agt:

"This includes an accusation against the Soviet Union and an appeal to the United States." According to him, the Soviet Union has been behind for years in development aid. At the same time, he called upon the United States to reopen the North-South dialogue.

#### Revaluation

On the criticism of the United States in Europe and the Netherlands, the prime minister said that it is frequently undiscriminating, frequently based on too limited information and on prejudice. "It is not an advantage at this time to have to play the role of a superpower," according to the comfort the prime minister had to offer. In his opinion, a "revaluation of reality" is taking place in the Netherlands and the other Western European countries with respect to the Soviet Union on the basis of the events in Poland.

He regretted, however, that the Soviet invasion of Afghanistan had had so little impact on Dutch public opinion, even though he said that the parliament had condemned that attack "in unambiguous terms." On the Dutch contribution to NATO, Van Agt said that it was quite proper and that the Dutch soldiers were highly respected, which could also be seen from the fact that they had been requested for UNIFIL [The UN peacekeeping force in Lebanon] as well as for the Sinai peacekeeping force.

In this respect, the Dutch prime minister sought to awaken some understanding for the fact that by U.S. standards, some Western European countries do not spend enough for defense. According to him, stability is increased, and that leads to "a greater resistance to pressure from outside," in that the Western European countries are setting things in order in the area of economics. Van Agt: "This, too, is a form of defense, even though it is not as apparent."

According to the prime minister, the reactions "were certainly not ill intended." According to him, it was clear both before and after the speech that there was "particularly deep sympathy for the Netherlands. And I found that particularly heartwarming, for I would not have been overcome by surprise if the temperature here had been considerably cooler," the prime minister said in New York, where the climate was practically autumnal.

6940  
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POLITICAL

NETHERLANDS

#### ORGANIZATIONAL DIFFICULTIES OF D'66 PARTY

Rotterdam NRC HANDELSBLAD in Dutch 24 Apr 82 p 7

[Editorial by Kees Van Der Malen: "Free Party Structure the Achilles Heel of the Full-Grown D-66"]

[Text] During the sensitive period of formation following the municipal council elections, the D'66 [Democrats of 1966] has been confronted by a small but remarkable series of affairs which affect the respect with which the party is viewed, if possible, and at least its image.

Two--arbitrary--dismissals of party representatives on the local level who came to be controversial, plus a shadowy fight concerning a resigned member of the top management, have cast a peculiar light on the glass house in which the D'66 family lives.

Case by case, the affairs could be discussed as incidents, with which every party has to deal--involuntarily--sooner or later. Along with all that is common to such situations, in the D'66's case, there remains the special circumstance that it has come upon the party in its turbulent growth process with increased responsibilities but with a party culture which is not suited to the changed circumstances.

Taken Wing

The D'66 has long cultivated the image of itself as a party that does not want to be a party in the traditional sense, but one which manifests itself as a movement which has taken wing. Because of this origin in the highly fanciful world of the 1960's, the democrats developed an aversion to strict principles or organization.

Congresses were to be influenced by all members, without interference or mandate from chapters. The individual vote cast by each party member was the only thing that counted.

The representatives of the party at all levels were chosen in a completely open procedure without interference from the chapters, central committee or political leadership. Any member, without regard to background or qualities, could announce and compete for any position. You put yourself up as a

candidate and then "sell" yourself as well as possible in a "presentation poll." For D'66 members, that fit in with the party's free style.

#### Regeneration

Even after that imagination had long since gone out of style and the party had experienced a miraculous regeneration in the second half of the 1970s, the loose organization and free choice of candidates was maintained unabridged, partly from tradition and partly on principle.

The party culture of the D'66 makes that party more quickly accessible to political adventurers and opportunists than traditionally organized parties. When the party was small, with few jobs to be distributed and easier social control, the dark side of the open system did not take effect. Now that the party is so much bigger and therefore so much more influential and also so much more vulnerable, the lack of a selection mechanism in the distribution of responsible positions threatens to become the democrats' Achilles' heel.

The party is still highly ambivalent about giving up the "free" party culture. For the past year, a party commission has been studying the possible forms of a less open structure, but thus far no great majorities within the party have subscribed to that. Many are still very much attached to the friendly chaotic style and the idea of the party as party should be managed as a big social club.

Under the pressure of circumstances, with the special vulnerability entailed by being a coalition party, however, it appears that a sharpening of the rules will be unavoidable. That wisdom has already largely been accepted at the political summit. Brinkhorst, the leader of the Second Chamber delegation, at least, sees it as a necessity that greater demands be made of party members with responsible positions.

#### Wartime History

The only ground for exclusion the D'66 recognizes for its representatives is any wrong wartime history at all [collaboration]. With respect to everything else, party members are expected to evaluate their own vulnerability due to social or private behavior. The party sees that as a matter for individual responsibility and thus far has not wanted to interfere in it through the setting of any conditions in advance.

The irony of the current expulsion declarations is that despite the "softest" initial demands, the party now believes it must take the sternest measures in order to rid itself of two representatives whose positions are felt to be "soiled."

In both cases, the top party leadership bases its actions on the generally formulated and therefore very arbitrarily applied ground for exclusion that the party has been "seriously discredited" by the actions of these members.

As long as the party's general expectations of its members are not delineated by even a minimum of rules and prerequisites for its representatives, the

ground for exclusion employed here is a gruesome authority for the leadership of the party.

#### Integrity

In a television broadcast to his own party following, Delegation Chairman Brinkhorst introduced the demand of integrity, which may be imposed on all representatives of the party at all times. As long as D'66 itself does not make a start at an attempt at defining in the party regulations what is to be understood by that, this moral criterion must remain only an empty gesture.

Politicians are not a cut above the average Dutchman, but they do have a greater responsibility because of their representative positions, which permit heavier moral demands to be placed upon them. If such demands are to be placed, political parties have the obligation to formulate those demands more clearly than is necessary in a (small) social club.

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POLITICAL

PORUGAL

MAJOR EFFECT OF EANES' PARTY ON LEFT WING PREDICTED

Lisbon O DIABO in Portuguese 4 May 82 p 2

[Article by Jose Miguel Judice: "The Left Wing in Portugal--An Exercise in Futurology"]

[Text] There is no doubt then: the left wing is much agitated. The support of Ramalho Eanes by the military of the April revolution (the same commemorative ceremonies the president advised against in other years); the reestablishment of Otelo (before the Council of the Revolution ceases to exist); and the united demonstration of strength in support of General Eanes in 1980 (from the ASDI to the PCP, as this recalls the strategy of Costa Gomes)--these are the "questions to the PS" (which suggest that Soares is not very interested in early elections), while engineer Pintasilgo grants interviews to all the publications in the JORNAL group (certainly for the sole purpose of irritating the secretary general of the PS), and Melo Antunes, who will in the future be formerly of the military, gives assurance that the word socialism will be removed from the constitution (showing moderation reminiscent of the period just prior to 11 March).

The image of Ramalho Eanes hovers over all of this, as if awaiting the development of events, and making preparations for the proper time to return to the head of this whole movement. It is true that the confusion is great. But without a doubt, where the left wing is concerned, much is bound to happen. Beginning, obviously, with the need to reach an understanding, above all with the parties which have hegemony over the left wing in Portugal--the PS and the PCP.

Support of Eanes--A Reality in the Left Wing

If the public opinion surveys are at all correct, there are two outstanding political facts which make it possible, more than any others, to explain the existing political strategies, and beyond that, to glimpse the future development on the Portuguese political scene. The first fact is that if new legislative elections were held, the AD [Democratic Alliance]--although the popular campaigns with which governments prepare to win elections have not yet even begun--would win again, obtaining an absolute majority of the parliamentary seats. The second fact is that a future "Eanist" party would hardly erode the AD electorate, but it would win 70 percent of the PS votes and 60 percent of those of the PCP, which leads to the conclusion that these parties would

become groups of secondary importance, and in addition to this, based on the Hondt method, the division of votes in the left wing would still further increase the seats won by the AD.

Potentially it is obvious that the PCP could recover a portion of those who would now be willing to vote for Eanes, and without a doubt, a personalized electoral strategy on the part of Eanes would ensure a shift to his party of some of the more indecisive AD votes. Which, moreover, would not only alter the results mentioned above but leads to a certainty that support for Eanes is a reality in the Portuguese left wing.

An understanding of these circumstances is basic to a perception of the current political situation, and much of the explanation of the lack of political movement we are experiencing lies therein. All of the advisors of the Eanes faction inclined toward a leftist approach will tend to fear the consequences of a shift in the voters of leftist parties to some future group based on a personalized view of power, which might basically function, objectively speaking, as a simple stage in the advance of this electorate toward a hypothetical future "Gaullism," which would inherit the precarious dynamism of "Eanism." On the other hand, all of the Eanes faction which is not leftist, or wherein personal ambitions override an ideological approach, tend to favor a party strategy for the Eanist movement, because they seen an ennobling alibi in the expected decline in the PCP support base.

But if this dichotomy is indeed a reality, one cannot conclude therefrom that the faction supporting Eanes, in sociological terms, is a reality which good intentions can conceal. In fact, when an individual personality polarizes the electorate in the way that Ramalho Eanes is doing, this means that he-- even despite himself, if such be the case, is a polarizing factor in political dynamics. To which should be added a basic fact the consequences of which, it seems to me, have not as yet been sufficiently contemplated. I am referring to the end of the existence of the Council of the Revolution.

#### Council Members Will Lead the Left Wing

In the connection I have just mentioned, it is useful to remember the aspect which typified the 25 April demonstration (rallying together all of the political personnel from the ASDI to the PCP), which objectively speaking was headed by revolutionary council members, specifically Vasco Lourenco. It is useful, moreover, to remember that all of those not engaged in military command functions supported that demonstration, not out of naivete, but doubtless in the knowledge that this was a phenomenon limited to a clearly delimited area in the political spectrum. It is useful to remember that Ramalho Eanes was present this year, for the first time, at the luncheon commemorating that event, and that most of the council members have not achieved general's rank, and therefore would have to return to barracks life, so that for this and other reasons they have already announced that they will transfer to the reserve.

Bearing all of this in mind, it would be well to remember that the political bipolarization situation and the tendency for the AD to maintain an electoral majority and thus not to split up leads to the fact that a real leftist dynamic is developing among all of the political forces which supported Eanes. It may

be ridiculous to hear Magalhaes Mota shouting that there is no democracy without socialism, but the ridiculous aspect only strengthens the symptomatic aspect here.

That having been said, it seems obvious that the 25 April movement will tend increasingly to be dealt with--going against formal historical truth, it is true--as a socialist revolution. This is the reason why the statements by the heroic council members concerning the possibility of our liberating ourselves once again have advanced a step, a step taken by numerous factions. And with this step taken, it is obvious that the real political strength in personal terms is tending to shift from the current party leaders, aging and worn out, to the "young captains" with fire in their souls, who are simultaneously the expression of the myth of the April revolution and the heralds of marvels to come on the day when they finally have political leadership power. And the traditional lack of foresight on the part of leftist party leaders has favored this, naturally, tending to allow them to assume real leadership of the challenge to the present government and to embody the memory of the April events.

Because of this it seems evident that the likes of Lourenco, Antunes, Costa Neves and Crespo, as well as some others, will shortly take over political action again with a new pattern. And they will do this, obviously, in the name of a more or less pro-Eanist plan, on the level of programs or alliances, in a word seeking the historic consolidation of the Costa Gomes phenomenon, i.e., overall unity of the Portuguese left wing under the aegis of a military leader.

#### The Vengeance of Costa Gomes

It is obvious that this is not my war. To whatever extent I regard Almeida Santos as more intelligent than Vasco Lourenco, Soares as more democratic than Melo Antunes, or Jaime Gama more skillful than Vitor Alves, I am faced here with distinctions which are basically, in my view, secondary. Among other things, because Vasco Lourenco may improve, intellectually, with age, Antunes may become more democratic with political responsibility and Vitor Alves, free of his tiring travels, may have more time to prepare himself.

If this war is not mine, I must admit that it is with some pleasure that I see the predictions I made over long years concerning the movement of political-military men with which the early-morning hours of the April events presented us borne out in practice.

However, although this may be true, I cannot deny that faced with these facts my feelings are divided. On the one hand, as an AD and PSD [Social Democratic Party] militant, what I think will happen is favorable to the maintenance of that party's dynamics and its continuation as the leading Portuguese party and the reflection of the middle classes, consigning to the trashcan the exotic ideas in the "center leftist" and other cosmetic theses designed to achieve I am not quite sure what. On the other hand, however, I cannot fail to feel somewhat concerned about the foreseeable development of the Portuguese left wing in the direction of a confused amalgam of factions and individuals headed by Ramalho Eanes and his "civilized" comrades in arms.

And there is but a single reason for my concern. In fact, the inherent weakness of the AD and the lack of political-ideological fire and dynamism which has typified it, joined with the increasing economic and financial difficulties experienced by Portugal, justify as reasonable the hypothesis that within a period of 1 to 2 years the incumbent in Belem will believe that the proper time has come to dissolve the assembly and give his former council colleagues and other parties an opportunity to bring about an electoral change. At this point, the left wing may find itself with a majority in the Assembly of the Republic and the AD may have become a minority.

This possibility, viewed abstractly, would be in my view a positive development. If the AD were to fail and lose the confidence of Portuguese citizens, it would be laudable for others to regain their strength and, making the political alternation system functional, undertake leadership of the country. Only on a concrete and more realistic level, what would happen would serve to distort the essence of the pluralist system. The fact is that this would mean the entry of the PCP into the basic political decision-making area, not only thanks to its specific electoral weight, but also thanks to the strategic and ideological colonization which it could readily impose on the startled revolutionary council members and other similar individuals.

This means that beyond dispute, the current dynamics is moving in the direction of converting the PS into a secondary force in the Portuguese left wing, trapped between the Leninist harshness of the smaller and purer PCP and the proleftist, prosocialist populist rally movement of the friends of Ramalho Eanes. And this would be the case equally if the "Eanist" movement became a party, if its factions were distributed among the existing parties, or if they were set forth as independents.

And there is an aggravating factor it would be well not to overlook. All of this would happen in 1983 or 1984, at which time the American presidential campaign will be at its peak, a new team will be in charge in the Soviet Union, and in order to strengthen itself, it will have to postulate expansion, and at a time when very probably the economic crisis in the Western world will be more intense. The neutralism of our council members would be tremendously useful to the plans of the Soviet regime. It is for this reason, perhaps, that the PCP is prepared to be even smaller, that Sa Carneiro is doomed and even that what happened in Camarate was only an accident.

5157  
CSO: 3101/40

## PAPER BACKS DEFENSE REPORT CALLING FOR INCREASED READINESS

Helsinki HELSINGIN SANOMAT in Finnish 26 Apr 82 p 2

[Editorial: "Minimalization Line Pulls the Bottom Out from Under Credibility"]

[Text] Although the international atmosphere has clearly gotten tenser since the end of the 1970's, Europe's security situation can still be described as relatively stable, in spite of everything. Oddly enough, this holds true for Northern Europe, which has long constituted an exceptionally peaceful little island in a restless world.

The Nordic countries' security policy arrangement has with good reason even been compared with a Chinese puzzle, a toy which requires special talent to take apart and put together. Every nation's model for deciding on a security policy supports every other nation's and the result is a firm overall situation.

In this era of weapon technology, however, one must not make the mistake of letting oneself believe that the Nordic countries are somehow on the sidelines of the important spheres of power. They are an essential part of the worldwide, but quite especially the European security situation. This is why we have to examine Finland's defense issue against a broad international background too.

The guidelines of our security policy are determined on this basis primarily in parliamentary defense committee deliberations and reports. Our goal is the preservation of national independence and protection of citizens' quality of life. Aside from official foreign policy, citizens' opinions on our security policy, agreements we enter into and the economic situation at any given moment determine the practical measures to be adopted.

The Third Parliamentary Defense Committee completed its report about a year ago. In it, among other things, importance is attached to the necessity of implementing preventive measures in advance. This is possible by slightly increasing military readiness in the proper proportion and way, keeping sight of the overall situation in Northern Europe.

In other words, the armed forces should be capable of demonstrating under any circumstances [to anyone else] that making use of our territory for military

purposes does not pay in view of the time and sacrifices that would be required to do so. Succeeding in this, of course, presupposes timely procurement of equipment, which cannot be an excessive economic burden for us at the conventional level.

Even on the basis of committee recommendations, the economic burdens engendered by national defense are still clearly smaller than in many other countries. But sad to say, as a result of many adjustments, we have had to compromise on the proposals that have come out of them too, claiming as a reason for this the tight funding limits of the national economy.

Because of this, military leaders have over and over again sharply criticized decision-makers for their neglect of the defense sector. When matters are looked at from the standpoint of the mission assigned to the armed forces, the criticism is understandable. The maintenance of defense readiness cannot succeed without reasonable means of defense.

Since we could right now also help balance trade between Finland and the Soviet Union by procuring equipment for the armed forces, there is also another defensible argument for eliminating this backward attitude. The initiative must not even founder on the Communists' calculated opposition.

Finns are commendably unanimous on the correctness of the security policy we exercise. Its successful execution requires parties sharing the same opinion on foreign policy to be capable of examining their defense policies too in accordance with the situation of the moment.

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CSO: 3107/113

## DEVELOPMENT OF UNCONVENTIONAL SHIPS TERMED ATTRACTIVE BUT EXPENSIVE

Paris DEFENSE NATIONALE in French Apr 82 pp 171-173

[Article by Edouard de Cassius: "The Future of Unconventional Craft"]

[Text] A certain number of "unconventional ship" prototypes (also known as "advanced naval vehicles") are crisscrossing the trial ranges. Some of them, primarily hydrofoils and hovercraft, already have operational applications. The future of these types of craft has been the subject of euphoric comments by some observers, while others have been more prudent.

No one is challenging the numerous possibilities of these craft, but everyone finds that their deployment today is still an unaffordable luxury for most navies. The time frame for their mass production is periodically pushed back. And yet, as the years go by, everyone is persuaded that the dropping of studies is a decision that could be regretted later.

The term "unconventional ship" [NNC] covers several categories of craft, all of which have as their major characteristic a maximum freedom from the constraint imposed by the contact of their hulls with the sea and thus the ability to achieve high speed and good stability.

Best known among unconventional craft are:

1. The hovercraft, some prototypes of which may be seen circulating in the English Channel and which are used by the Soviets as landing vessels.
2. The hydrofoil (a vessel with lifting wings), which has already seen numerous applications both for rapid transit purposes in the civilian sector and as patrol boats.

There are two other craft of interest:

1. The surface-skimming craft whose lateral hulls contain an air bubble that insures the lift of the craft.
2. The SWATH [Small Waterplane Area Twin Hull], a catamaran whose two deeply immersed hulls endow it with great stability in rough seas while offering less resistance to forward motion because of their particular shape.

Each type of unconventional craft enjoys certain advantages, such as speed for the hydrofoil and the surface-skimming craft or stability for the SWATH. But they all have two major drawbacks, at least for now: Their complexity and their cost. These two disadvantages are the principal reasons why the present prototypes are relatively small. Indeed, large craft cannot be developed through the mere extrapolation of characteristics. It is necessary to go beyond a technological threshold in the fields of propulsion and lift to the nature of the materials used. This explains the considerable cost of such operations.

The operational possibilities of unconventional craft are being studied in all navies. It is now known that they can fulfill an important number of missions:

1. Antisubmarine warfare: Hydrofoils, surface-skimming craft, SWATHs.
2. Antimine warfare: Hovercraft, hydrofoils.
3. Patrol and surveillance in economic zones: Hydrofoils, surface-skimming craft.
4. Rapid logistical operations: SWATHs, surface-skimming craft.
5. Amphibious operations: Hovercraft.
6. Antiship warfare: Hydrofoils, surface-skimming craft.
7. Convoy escort: SWATHs.
8. Aircraft carriers: Surface-skimming craft, SWATHs.

One can perceive that the range is broad and each navy can thus find justifications to promote experiments and production.

The evolution of technologies, equipment and even concepts constantly opens new possible applications for unconventional craft. Despite the modesty of the means allocated in most countries to the mastery of the adapted techniques or even to a simple "old technique," the engineers in charge of projects always strive to be in a position to seize the opportunity for accelerated development in the field. It is hardly probable, however, that the unconventional craft will become operational before the next century, all the more so as such activity should reflect a need for the renewal of units designed for identical missions that, in terms of planning, must be done far ahead of time. Although interest in unconventional craft is undeniable, an attractive though uncertain future can be predicted for them.

2662  
CSO: 3100/597

## HEAVY EQUIPMENT, AMPHIBIOUS USED BY 31ST BRIGADE IN MEDITERRANEAN

Paris DEFENSE NATIONALE in French Apr 82 pp 167-169

[Article by Emmanuel Gepeyre: "The 31st Brigade"]

[Text] France, a Mediterranean power, owes it to itself to organize forces, immediately available, capable of keeping its commitments and safeguarding its interests in this area.

For this purpose, it established on 1 July 1981 the 31st Brigade whose command is in Aubagne and whose units are stationed in southeastern France. It is characterized principally by the integral professionalization of its personnel and its possession of relatively heavy equipment.

Its privileged geographic location naturally designates it as a focus for other units. The recent "Farfadet" exercise made it possible to appreciate this.

#### A Major Specific Unit

The 31st Brigade is a major professional unit equipped with amphibious vehicles. It differs from the 11th Airborne Division and the 9th Naval Infantry Division in its exclusively professional recruitment. This gives it greater flexibility in the use of its personnel and enables it to have available a large number of specialists able to operate complex equipment.

The brigade is organized mainly around two regiments. Now comprising some 2,500 men, it has available the 2nd Foreign Infantry Regiment, the 21st Naval Infantry Regiment, a general staff and a command and communications company. It can have the support of a transportation unit, an equipment detachment, an army service unit, a surgical unit and a rescue and ambulance unit. It can also be beefed up with tanks.

The brigade's increase in power is also characterized by the quality of its equipment. The gradual replacement of light armored cars equipped with 90-millimeter cannon by AMX 10 RC armored cars equipped with 105-millimeter cannon is under way in the 21st Naval Infantry Regiment. The 2nd Foreign Infantry Regiment has received its initial VABs [Armored Attack Vehicles], which will soon replace all its tactical light trucks, as is already the

case in the 21st Naval Infantry Regiment. The regiments are equipped with 120-millimeter grooved mortars and with Milan antitank missiles. Finally, an artillery battery will give the brigade the support of its 155-millimeter cannons.

The combination of these two dominant factors--professionalization and heavy equipment--endows the 31st Brigade with a special place within the rapid deployment forces.

#### A Major Unit With Developing Use Prospects

The 31st Brigade offers prospects of developing use based on its appropriateness to external missions and its expansion capability. The only major unit established along the Mediterranean coastline of metropolitan France, the brigade has the goal of rapid overseas deployment. At this time it has elements assigned to Lebanon and the Central African Republic. In 1982, several of its units are slated to move overseas, either in organized detachments or within the framework of rotating companies.

Its units are placed on rotation just as other regiments belonging to the rapid deployment forces, the equipment assigned to regiments not reducing their flexibility of use. Rather, their firepower now comes on top of their rapidity of action.

Four months after its creation, the 31st Brigade demonstrated its ability to maneuver as an organized unit. From 26 to 31 October 1981, it exhibited its capacity for amphibious operations by landing a naval force in Corsica. This exercise, nicknamed "Farfadet," made it possible to test the coordination of a command installed on an aircraft carrier and directing naval, air and ground units, the use of helicopter-borne units and the creation of a bridgehead with amphibious forces. In all, 2,000 men, 250 vehicles of various kinds, including 75 armored vehicles, and about 30 helicopters secured some beaches in the Gulf of Valinco in less than 3 hours.

Among the armored cars landed and loaded once again a few hours later were AMX 30 battle tanks of the professionalized squadron of the Rambouillet tank regiment which had been assigned to reinforce the 31st Brigade for the duration of the exercise. Thus, 4 months after its creation, this major unit was tested through an initial exercise of some scope. Geared to adopting new techniques on a priority basis--difficulties of communications, coordination of different sequences, shift of command from sea to ground, landing of tanks--it also had to solve tactical problems.

Thus, the French Army now has available a brigade capable of being committed to the European theater or abroad right away. Gradually, as it fulfills its equipment plan and is "broken in" by means of interservice maneuvers, the 31st Brigade, benefiting from select recruitment and modern equipment, will hold a significant place among the rapid deployment forces, complementing the 11th Airborne Division and the 9th Naval Infantry Division, which are more flexible and more lightly equipped than the 31st Brigade.

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CSO: 3100/597

MILITARY

FRANCE

#### NEW AVISO TESTS LOW COMPRESSION RATIO ENGINES

Paris COLS BLEUS in French 8 May 82 P 14

[Article: "The Aviso 'Commandant L'Herminier'"]

[Text] Following 600,000 hours of work devoted to the construction of the aviso Commandant L'Herminier by the DCAN [Directorate for Naval Weapons and Shipbuilding], sea trials have now begun.

The commissioning, which took place on 12 December, could have gone relatively unnoticed. Certainly, it was a moving ceremony: the wife and sister of Commandant L'Herminier, former crew members of the Casabianca and a delegation from Ajaccio (which is to be the christening town) were present. Of course, the EE Casabianca had come from Brest specially for this occasion... But still, is not this ship--the 11th of the D'Estienne D'Orves type--an aviso like all others? No! Because it is equipped with two 12 PA6 low compression ratio engines, the famous BTC engines which make a true forerunner of the Commandant L'Herminier.

#### New Developments in Diesel Engines

At a given rpm, the power output of Diesel engines was until now limited by their rotational speed, the thermal and dynamic stress levels, and the supercharging ratio.

The low compression ratio (BTC) process developed by the Thermal Machine Development Company (SEMT) makes it possible to increase the fuel consumption rate of a given engine, and therefore its power output, without increasing the stresses mentioned above.

A lower compression ratio is obtained by modifying the piston geometry, which --for the same power output--decreases the maximum combustion pressures. A considerable air flow is necessary in order not to increase the thermal stress level: this air flow is provided by a supercharging device consisting of two stages mounted in series.

When applied to a fast PA6 engine, the volume or compression ratio of which has been lowered from 12.5 to 8.5, this process will increase the power output by 60 percent (for engines of equal weights, this is about 22 tons): 350 hp per cylinder for a PA6 engine vs. 550 hp for a PA6 BTC engine.

The major drawback of the BTC system is that these engines are hard to start: to remedy this, the engines are warmed up with fresh water before they are started, and their exhaust circuit is provided with a flap which is actuated when the engine starts.

#### BTG Engines on Board

The two PA6 BTG engines mounted on board will make it possible to acquire rapidly data on the behavior of this type of engine at sea.

The aviso Commandant L'Herminier made its first run at sea on 19 February, and the trials will continue for several months. Before being approved for active duty, the ship will accomplish a long voyage; thus, the engines will come into contact with both warm and cold waters.

Thanks to the appreciable increase in the power output/engine weight ratio, the French-made Diesel PA6 BTG engines will find uses on medium-tonnage combat ships (1000 to 5000 tons) during the coming years.

9294  
CSO: 3100/667

MILITARY

FRANCE

## HELICOPTER, INFANTRY DIVISIONS CARRY OUT ALPINE EXERCISE

Paris TAM in French 29 Apr-6 May 82 p 7

[Article by L.V. Le Jeune: "'Gentiane 82' Exercise"]

[Excerpts] From 22 to 26 March, the 27th Alpine Division was deployed in the central Alps area for a large-scale exercise called Gentiane 82. This exercise was designed to perfect the troops' mountain combat training; in spite of its name, it had little to do with flowers.

The ball was opened by the Pumas of the 2nd Helicopter Unit who, on Friday 19 March, lifted the squads of the 27th Transmission Company and their equipment to five high points.<sup>1</sup>

Each of these squads consists of trained mountaineers who, among other things, are able to survive under extreme climate conditions.<sup>2</sup> Hardly are the helicopters gone and the men must dig, assemble walls, move and shelter the equipment, pitch the tents, complete the settlement and set up the technical facilities; that will take three days.

Late Saturday, the tents were covered with 60 cm of snow.

### Kick-Off

Fortunately, the weather improved and on Monday the exercise could start: 5000 men, 1000 vehicles and 20 helicopters would maneuver in this area of the central Alps lying between Grenoble, Albertville and Briancon. In all mountain maneuvers, meteorology and environment are of primary importance. Therefore, the exercise had been planned so as to be relatively flexible and allow

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1. Maneuvers without transmissions are unthinkable; in the mountains, however, a problem arises: natural obstacles are large and numerous. To remedy this, a few high relief points are selected for the installation of relays (radio-relay systems, etc.) which make it possible to communicate from one valley to the next.
2. Generally, a squad consists of the following: one officer (the head of the site), two non-commissioned officers (the technical supervisor and the mountain supervisor) and three rank-and-file men (the radio operators).

for modifications of the scenario. Special attention had been given to material support and to road circulation, especially in the Maurienne area, as well as to the movement of the "159th" which was to go through the Frejus tunnel on Thursday evening on its way to Modane. The next day, one of its companies was transported by helicopters to the Sapey fort, held by the 7th BCA [Alpine Chasseurs Battalion (mountain light infantry)], while the 6th BCA was transported, also by helicopters, from Vars to the Corbiers. Its normal deployment, like that of the 159th, had been cancelled because of avalanche warnings. Only the 11th BCA was able to progress as initially planned.

#### Marines in the Alps

Three Super-Frelons of the 33rd Assault Helicopter Squadron had come to reinforce the transportation capacity of the Pumas. With a carrying capacity of up to 27 men, the Super-Frelons can also carry loads of up to 4.5 tons (for instance: two jeeps, two 120-mm mortars with servers and ammunition). They also offer the advantages of having a very large operating range (especially at low altitudes) and of being equipped with a navigation calculator coupled with a Doppler radar.

On Wednesday, the weather had become really nice. The chasseurs of the 11th BCA had been on their way to the Masse Point for already one hour on Thursday morning when the rising sun started to color the neighboring summits. A rise in altitude of over 1500 m to reach the summit at 2800 m; 6 hours on sealskins with a few very short pauses, sometimes just long enough to remove a sweater that had become unnecessary since the sun was now shining on the snow. Except for a few brief orders, all you heard was the crunching of skis on the snow.

#### Units engaged

- 5th Alpine Infantry Corps (159th Alpine Infantry Regiment, 6th, 7th, 11th and 27th BCA's)
- 93th Mountain Artillery Regiment
- 4th Light Infantry Regiment
- 77th Engineer Company
- 27th Command and Support Regiment
- 1 company of the German 273th Mountain Light Infantry Battalion
- Cadres of the 13th BCA were heading the arbitration teams
- ALAT [Ground Forces Tactical Air Support]
  - 2nd and 3rd Light Helicopter Squadrons
  - 5th Light Helicopter Group
  - 2nd Combat Helicopter Group (Phalsbourg)
- Fleet Air Arm
  - 33th Assault Helicopter Squadron (Saint-Mandrier)

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